

**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:

Mancal Properties Inc.
(as represented by Altus Group Limited), COMPLAINANT

and

The City of Calgary, RESPONDENT

before:

J. Dawson, PRESIDING OFFICER
S. Rourke, MEMBER
A. Zindler, 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:	078076403
LOCATION ADDRESS:	3201 Ogden Road SE
LEGAL DESCRIPTION:	Plan 0012434; Block 6; Lot 1
HEARING NUMBER:	68504
ASSESSMENT:	\$ 21,750,000

- [1] This complaint was heard on the 1 and 2 day of October, 2012 at the office of the Assessment Review Board [ARB] located at Floor Number 4, 1212 31 Avenue NE, Calgary, Alberta, Boardroom 1.
- [2] Appeared on behalf of the Complainant:
- D. Mewha Agent, Altus Group Limited
 - R. Worthington Agent, Altus Group Limited
- [3] Appeared on behalf of the Respondent:
- J. Greer Assessor, City of Calgary

SECTION A: Preliminary, Procedural or Jurisdictional Issues:

- [4] No procedural or jurisdictional matters were raised.

SECTION B: Issues of Merit

Background:

- [5] The Board heard that the subject property and properties with similar circumstances need to be assessed differently. While *the Act* does not prescribe the valuation method to be used by the Respondent, it is common for the assessor to assess income producing properties based on the income approach and owner occupied properties on the sales comparison approach. The Respondent determined that all industrial warehouse properties, regardless of size, will be assessed on the sales comparison approach. The Complainant suggests that due to the large size of some industrial warehouse properties, from a practical standpoint; make them only available to investors rather than owner occupiers.

Property Description:

- [6] Constructed in 2007, the subject – 3201 Ogden Road SE, is a single-storey industrial warehouse building with multiple bays located a few blocks south of Blackfoot Trail and a few blocks west of the Alyth rail yards in the Bonnybrook area with a non-residential sub-market zone [NRZ] of BB1.
- [7] The Respondent prepared the assessment showing 195,585 square feet of multi-tenanted warehouse space graded as a 'C+' quality with 11% office finish. The site has an area of 440,258 square feet or 10.11 acres resulting in site coverage of 44%.

Matters and Issues:

- [8] The Complainant identified two matters on the complaint form:

Matter #3 - an assessment amount
Matter #4 - an assessment class

[9] Following the hearing, the Board met and discerned that these are the relevant questions which needed to be answered within this decision:

1. How should the subject site be assessed? ***'Sales Comparison Approach'*** – as owner occupied, or ***'Income Approach'*** – based on its ability to generate a return to an investor?
2. Is the subject assessed in a fair and equitable manner?

Complainant's Requested Value:

- \$14,080,000 on complaint form
- \$16,890,000 in disclosure document

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

Matter #3 - an assessment amount

Question 1 **How should the subject site be assessed? 'Sales Comparison Approach' – as owner occupied, or 'Income Approach' – based on its ability to generate a return to an investor?**

Complainant's position

- [10] The Complainant indicated that the subject, due to its size and quality, is an investment-grade property. Investment-grade is a term used to describe property that is of sufficient size and quality to be an attractive purchase target by large institutional investors, such as retirement funds or insurance companies. Properties containing over 100,000 square feet of leasable space are deemed to be the size where institutional investors would be more common than owner occupied. (C1 p. 3)
- [11] The Complainant argued that the income approach to value best reflects the analysis undertaken by investors purchasing properties similar to the subject. Investors that purchase these properties are concerned about their return on investment and not whether another property sold at more or less per square foot, especially considering the properties stratified by the Respondent, many times, are a fraction the size of the subject.
- [12] The Complainant provided photocopied excerpts to suggest that the income approach is the best approach to follow for the subject. The source document is described as 'Market Value and Mass Appraisal for Property and Assessment in Alberta'.
- [13] The Complainant provided a copy of Board decision CARB 2200/2011-P, which is a decision on the subject with similar facts. In 2011, the Board found the income approach, presented by the Complainant, was the best evidence and reduced the assessment. (C1 pp. 34-40)

- [14] The Complainant expanded on their argument with a second disclosure document wherein a dissertation on valuation approach was presented. The conclusion is that any of the three valuation approaches are acceptable, and the method that produces the most reliable result should be selected. (C2 p. 2)
- [15] The Complainant continued by explaining that for direct sales comparison approach to work well there has to be sufficient recent comparable sales that need to be adjusted properly. In the case of the subject, during the valuation year, there are two sales in the stratification of 100,000 to 250,000 square foot buildings. None of these comparables are in the same area. Some of the five comparables in the preceding valuation period included large adjustment factors, such as a cold storage facility. (C2 pp. 3-5)
- [16] The Complainant presented a narrative with charts to show how the assessment to sales ratio [ASR] from the Respondent over the most recent three year period, resulted in 72% of the time-adjusted sales being outside of the +/- 5% range desired. These 164 sales are the exact sales utilised by the Respondent. (C2 pp. 5-6 and 198-205)
- [17] The Complainant while illustrating their opinion on the usefulness of the sales comparison approach alleged that many sales utilised by the Respondent were problematic; 1) no information has been provided by the Respondent to verify the time adjustment coefficient, 2) the Respondent included a number of sales that are not arms-length, and 3) some sales were sold as vacant land versus improved. (C2 pp. 5 and 16-61)
- [18] The Complainant asserted that the income approach is a widely accepted mass appraisal technique, works well when appropriate financial information is available, and adjusts quickly for changing market conditions. (C2 p. 7)
- [19] The Complainant went into some detail, with Board decisions, to show how all parameters used in their income approach were derived. The results are: capitalisation rate of 7.5%; vacancy rate of 4.0%; and \$6.75 rental rate. (C1 pp. 15-16 and C2 pp. 7-15) No value was provided for operating costs or non-recoverables.

Respondent's position

- [20] The Respondent indicated that the Complainant's income approach is suspect; the capitalisation rate does not reflect the investment opportunity, and inconsistent use in the methodology and the derivation of its parameters. The Respondent also claims that the Complainant did not differentiate between properties to account for differences in physical characteristics. (R1 p. 4)
- [21] The Respondent responded to the Complainant's sales comparison approach, comparing market rents and adjusting the sale values by the variance in the rental rates. This methodology is warned against by the Appraisal Institute of Canada. (C1 pp. 11-12, R1 pp.4 and 104-106)
- [22] The Respondent provided what appears to be a definition of the approaches to value without naming a source document; (R1 p. 5)

"Approaches to Value

The market value of property can be determined using either (any) of the three

approaches to value:

- *Sales comparison approach, that compares assessed properties with similar properties which recently sold;*
- *Income approach, that involves developing typical market rents, vacancies, expenses, and capitalization rates in order to place a value on a group of similar properties; or*
- *Cost approach, which reflects a replacement cost new less market depreciation for the improvements plus the market value for land.*

The valuation approach chosen emulates the approach and analysis taken by parties in the relevant market."

- [23] The Respondent outlined, in a brief excerpt from their webpage, the seven value characteristics or key factors analysed to determine the assessment of the subject and all industrial warehouses. (R1 pp. 23 and 39)
- [24] The Respondent provided a single page to explain how the Complainant erred in their creation of the capitalisation rate. The Respondent indicates that the Complainant has essentially conducted a lease fee estate valuation and by choosing the higher of similar rents it concludes a higher capitalisation rate. (R1 p. 40)
- [25] The Respondent provided a sales comparison chart comparing the results of time adjusted sales to 2012 assessments arriving at 44% of assessments within .95 and 1.05 *ASR*, whereas the Complainant's income approach methodology resulted in 33% of *ASRs* within that range. (R1 p. 103)

Board's findings

- [26] The Board notes the chart (C2 p. 5) provided by the Complainant appears to have three consecutive uniform valuation periods. On closer examination, the chart is with three columns: July 2008 – January 2009 (7 months), January 2009 – June 2010 (18 months with an overlap), and July 2010 – June 2011 (12 months). The Board finds that a proper analysis would include similar time frames (i.e. 12 months): July 2008 – June 2009, July 2009 – June 2010, and July 2010 – June 2011. The Board is unable to ascertain meaningful analysis due to inappropriate time sequence.
- [27] The Board notes the Complainant's narrative with charts on *ASR* results outside of the acceptable range is of interest; however, the Complainant failed to match the assessments with the 164 sales to show how they fail in an *ASR* review. The Board is unaware whether or not the assessment to sales ratio's for the 164 sales referenced are incorrect today or at the time of their sale.
- [28] The Complainant provided photocopied excerpts from different documents to suggest that the income approach is the best approach to follow for the subject. These documents are described as '*Market Value and Mass Appraisal for Property and Assessment in Alberta*'; however no direct references are provided. (C1 p. 17) Following is an exact page image of the excerpts:

Determining Market Rents as of the Valuation Date

The following four quotes are from Market Value and Mass Appraisal for Property Assessment in Alberta:

Determining Market Rents as of the Valuation Date

Base Rent

To determine the current market rent for each tenant, the following guidelines are provided (in order of descending importance):

1. For most tenants the best source of market rent information is the rent roll. Using these rent rolls, the best evidence of "market" rents are (in order of descending importance):
 - Actual leases signed on or around the valuation date.
 - Actual leases within the first three years of their term as of the valuation date.
 - Current rents for similar types of stores in the same shopping centre.
 - Older leases with active overage rent or step-up clauses.
2. As a secondary source of rent information, and as a check on the rents derived from the actual rent rolls, the rental rates can be compared to the rents established for similar tenants in other similar properties.
3. If comparable information is not available, it may be necessary to analyze the existing lease and interview the owner and tenant(s) to determine what the current rent on the space should be.

Establishing Typical Market Rents for a Class of Warehouses

Typical net market rent can be established by analyzing the net market rents from leases signed in or around the valuation date for a number of similar properties, i.e., warehouses within one class. There should be at least four relevant leases. The lease rates should be tabulated along with the relevant descriptive data, and the median net market rent should be established as the typical rent.

3.3 Selecting a Valuation Process

Income Approach

The *income approach* requires income and expense information. To employ this approach, the assessor must be able to establish the typical net market rents for the space within the various warehouse classes.

The *income approach* procedure presented in this guide requires the assessor to establish the **typical net market rent** for the class of warehouse.

[29] The copy above (C1 p. 17) is simply referenced as; 'Market Value and Mass Appraisal for Property Assessment in Alberta.' The four excerpts are better cited as:

- A. 'Valuation Guide Valuation Parameters – February 1999 © Alberta Assessor's Association' at page 45;
- B. 'Warehouse Valuation Guide – November 1998 © Alberta Assessor's Association' at page 26;
- C. 'Warehouse Valuation Guide – November 1998 © Alberta Assessor's Association' at page 24;
- D. 'Warehouse Valuation Guide – November 1998 © Alberta Assessor's Association' at page 25;

[30] The Board is concerned with two things from this presentation on page 17 of C1; 1) the lack of clear reference to the exact excerpt; and 2) the obvious re-ordering of excerpts from different pages and different documents to perhaps alter the context and meaning of the quotes.

[31] Reference is made to; 'Market Value and Mass Appraisal for Property Assessment in Alberta: Valuation Guide, Warehouses; June 1998; pg 7'. (C2 p. 3) The context of the excerpt is shown below: (NOTE: Extra words were found in quote which are not found in the exact reference material which have been lined out (i.e.: lined-out), while missing words have been underlined. These changes are likely due to version variances; however, the most up to date version should be the referenced version unless otherwise noted.)

"Application of the Sales Comparison Approach"

The sales comparison approach described in this guide is better suited to smaller municipalities. In large jurisdictions where there are many warehouse sales, the assessors can use more sophisticated sales analysis techniques such as computer assisted multiple regression analysis.

The sales comparison approach derives values by comparing the subject property with similar properties that have recently sold. To facilitate this comparison process, the assessor must investigate the subject and the comparable properties. The higher the comparability of the subject property to the sales data, the more relevant the approach.

It follows that at least one sale of a similar property is required in order to apply this approach. Preferably there will be a sufficient number of sales to provide statistically robust results. As a rough guideline, data on five or more sales of similar properties would be considered reasonable in a direct sales comparison process; three sales are often acceptable. The more advanced sales comparison modeling techniques such as multiple regression analysis require a much larger number of sales.

Apart from the investigation of properties and the collection of data, the key to a successful market sales comparison analysis in a mass appraisal environment is to stratify or classify all the warehouse properties into groups containing common elements..., e.g., cold storage facilities, distribution warehouses, cross-dock facilities, etc.

There may be sufficient sales data for some classes of warehouses and not for others, or the sales data may not "explain" the value of certain elements. Where there is insufficient sales data, another valuation approach should be used.

[32] The Board finds that both the Complainant and the Respondent refer to numerous assessments based authorities – quoting small excerpts that must be examined within their context. In most cases, full copies were not provided for the Board to verify the context of these quotes. Many times, as seen above, the references provided were not complete making verification difficult. Here are some of the many references cited:

- [1] *'Property Appraisal and Assessment Administration – The International Association of Assessing Officers'*
- [2] *'Alberta Assessor's Association Valuation Guide Warehouses'*
- [3] *'UBC 330 Appraisal of Real Estate'*
- [4] *'The Appraisal of Real Estate – Second Canadian Edition'*
- [5] *'Market Value and Mass Appraisal for Property Assessment in Alberta: Valuation Guide, Introduction and Glossary; June 1998'*
- [6] *'Market Value and Mass Appraisal for Property Assessment in Alberta: Valuation Guide, Warehouses; June 1998'*
- [7] *'The Appraisal of Real Estate Canadian Edition'*
- [8] *'Principles of Assessment I for Assessment Review Board Members and the Municipal Government Board Members'*
- [9] *'The Appraisal Institute of Canada'*
- [10] *'The Appraisal of Real Estate – 3rd Canadian Edition'*

[33] The Board finds the references, both parties make, do lend credibility to these assessments based authorities; therefore, the Board has chosen to use these authorities' publications in validating the decision.

[34] The Board notes a paragraph, in *"The Appraisal of Real Estate – Second Canadian Edition"* © The Appraisal Institute of Canada, that suggests the direct comparison approach is better utilised for support to other approaches; (R1 p. 105)

"The direct comparison approach is a significant and essential part of the valuation process, even when its reliability is limited. Although appraisers cannot always properly identify and quantify how the factors affecting property value are different, they can still use the direct comparison approach to determine a probable range of value in support of a value indication derived using one of the other approaches. Furthermore, the comparison process often provides data needed to apply the other approaches – e.g., overall capitalization rates for the income approach or depreciation estimates for the cost approach."

[35] The Board found a publication entitled; *'Standard on Mass Appraisal of Real Property, Approved January 2012'*, Copyright © 2012 by the International Association of Assessing Officers. In this document section 4.6 page 10 it provides guidance on the subject property:

"4.6 Considerations by Property Type"

The appropriateness of each valuation approach varies with the type of property under consideration. Table 1 (next page) ranks the relative usefulness of the three approaches in the mass appraisal of major types of properties. The table assumes that there are no major statutory barriers to obtaining cost, sales, and income data. Again, although certain approaches tend to produce better results for a given type of property, the use of two or more approaches should produce greater accuracy.

4.6.3 Commercial and Industrial Property

The income approach is the most appropriate method to apply when valuing commercial and industrial property if sufficient income data are available. Direct sales comparison models can be equally effective in large jurisdictions with sufficient sales. When a sufficient supply of sales data and income data is not available, the cost approach should be applied. However, values generated should be periodically checked against available sales data. Cost factors, land values, and depreciation schedules must be kept current through periodic review.

Table 1. Rank of typical usefulness of the three approaches to value in the mass appraisal of major types of property

	Cost Approach	Sales Comparison Approach	Income Approach
<i>Single-family residential</i>	2	1	3
<i>Multifamily residential</i>	3	1,2	1,2
<i>Commercial</i>	3	2	1
<i>Industrial</i>	1,2	3	1,2
<i>Non-agricultural land</i>	--	1	2
<i>Agricultural*</i>	--	2	1
<i>Special-purpose**</i>	1	2,3	2,3

*Includes farm, ranch, and forest properties.

**Includes institutional, governmental, and recreation properties"

[36] The Board found additional information relevant to the subject also contained in the publication entitled; 'Standard on Mass Appraisal of Real Property, Approved January 2012', Copyright © 2012 by the International Association of Assessing Officers. In section 4 it speaks to valuation in general, relevant excerpts are used from pages 8 through 10:

"4. Valuation

4.1 Valuation Models

Any appraisal, whether single-property appraisal or mass appraisal, uses a model, that is, a representation in words or an equation of the relationship between value and variables representing factors of supply and demand. Mass appraisal models attempt to represent the market for a specific type of property in a specified area. Mass appraisers must first specify the model, that is, identify the variables (supply and demand factors) that influence value, for example, square feet of living area. Then, mass appraisers must calibrate the model, that is, determine the adjustments or coefficients that best represent

the value contribution of the variables chosen, for example, the dollar amount the market places on each square foot of living area. Careful and extensive market analysis is required for both specification and calibration of a model that estimates values accurately. All three approaches to value—the cost approach, the sales comparison approach, and the income approach—are modeled for mass appraisal.

Geographic stratification is appropriate when the value of property attributes varies significantly among areas. It is particularly effective when housing types and styles are relatively uniform within areas. Separate models can be developed for market areas (also known as economic or model areas). Subareas or neighborhoods can serve as variables in modeling and can also be used in land value tables and selection of comparable sales. (See Gloudemans [1999, chapter 3].) Smaller jurisdictions may find it sufficient to develop a single residential model.

Commercial and income-producing properties should be stratified by property type. In general, separate models should be developed for apartment, warehouse/industrial, and retail properties. Large jurisdictions may be able to stratify apartment properties further by type or area or to develop multiple commercial models.

4.3 The Sales Comparison Approach

The sales comparison approach estimates the value of a subject property by statistically analyzing the sale prices of similar properties. This approach is usually the preferred approach for estimating values for residential and other property types with adequate sales.

Applications of the sales comparison approach include direct market models and comparable sales algorithms (See Gloudemans 1999, chapter 3 & 4, IAAO 1990, chapter 6 & 15, and IAAO 1999, and the IAAO Standard on Automated Valuation Models 2003). Comparable sales algorithms are most akin to single property appraisal applications of the sales comparison approach. They have the advantages of being familiar and easily explained and can compensate for less well specified or calibrated models, since the models are used only to make adjustments to the selected comparables. They can be problematic if the selected comparables are not well validated or representative of market value. Because they predict market value directly, direct market models depend more heavily on careful model specification and calibration. Their advantages include efficiency and consistency, since the same model is directly applied against all properties in the model area.

Users of comparable sales algorithms should be aware that sales ratio statistics will be biased if sales used in the ratio study are used as comparables for themselves in model development. This problem can be avoided by (1) not using sales as comparables for themselves in modeling or (2) using holdout or later sales in ratio studies.

4.4 The Income Approach

In general, for income-producing properties the income approach is the preferred valuation approach when reliable income and expense data are available, along with well-supported income multipliers, overall rates, and required rates of return on investment. Successful application of the income approach requires the collection, maintenance, and careful analysis of income and expense data.

Mass appraisal applications of the income approach begin with collecting and processing income and expense data. (These data should be expressed on an appropriate per-unit basis; such as per square foot or per apartment unit.) Appraisers should then compute normal or "typical" gross incomes, vacancy rates, net incomes, and expense ratios. These figures can be used to judge the reasonableness of reported data for individual parcels and to estimate income and expense figures for parcels with unreported data. Alternatively, models for estimating gross or net income and expense ratios can be developed using actual income and expense data from a sample of properties and calibrated using multiple regression analysis. For an introduction to income modeling, see IAAO (1990, chapter 14) and Gloudemans (1999, chapter 3). The developed income figures can be capitalized into estimates of value in a number of ways. The most direct method involves the application of gross income multipliers, which express the ratio of market value to gross income. At a more refined level, net income multipliers or their reciprocals, overall capitalization rates, can be developed and applied. These multipliers and rates should always be extracted from actual income and sale price data obtained from properties that have recently been sold. Income multipliers and overall rates tend to provide reliable, consistent, and readily supported valuations when good sales and income data are available.

[37] The Board finds that the sales comparison approach is usually stated as a good method with the caveat; *"with adequate sales"*. In addition caution is advised; *"They (Comparable sales algorithms) can be problematic if the selected comparables are not well validated or representative of market value"*. *"Users of comparable sales algorithms should be aware that sales ratio statistics will be biased if sales used in the ratio study are used as comparables for themselves in model development."*

[38] The Board finds the income approach is the preferred method when there is sufficient data; *"In general, for income-producing properties the income approach is the preferred valuation approach when reliable income and expense data are available..."* This is precisely why the Respondent prefers the direct comparison approach for smaller industrial properties – there is unreliable lease data due to the large percentage of owner occupied properties. The subject though, is much larger and purchasers are typically investors; therefore, sufficient reliable income and expense data is available in the stratification of 100,000 square foot and larger industrial warehouse properties.

[39] **The Board finds any of the three valuation approaches are acceptable; however, the valuation method that produces the most reliable result should be selected. For the subject property, the income approach provides the most reliable result.**

[40] The Board concurs with the analysis presented by I. Weleschuk *et al* in their decision of June

25, 2012. 'Rona Revy Inc. v. Calgary (City of) CARB 0521/2012-P'.

"Both parties presented excerpts from appraisal texts and a number of previous Board decisions which discuss methodology, and specifically how an income approach is properly done. The Board is of the opinion that there are variants as to how an income approach is to be done properly, but that the important point is that the analysis must use consistent data. In other words, if the analysis is done using actual data, all the variables must reflect the actual data. If the analysis is done using "market" or "typical" data, then all the variables must reflect "market" or "typical" rates. It is not appropriate to mix data.

The Complainant presented:

- rental rates based on six comparables and concluded that the "market rent" for the subject property was \$5.50/ft²*
- a vacancy rate of 4% based on a review of industry sources.*
- a capitalization rate based on four comparable sales (different from those comparable sales used to develop the rental rate) to derive a rate of 7.5%.*

While the methodology used appears to be a consistent use of "market" or "typical" rates, the Board notes the very limited base upon which these "market" rates were derived. The Board also notes the use of a vacancy rate that was taken from a number of industry surveys, not derived from actual market data, and which introduces a wrinkle of inconsistency in the analysis.

[41] The Board arrives at the same conclusion as Weleschuk. The use of the income approach must be consistent; if the analysis is done using typical data, then all the variables must reflect typical rates. It is not appropriate to mix data.

[42] The Board finds itself in a precarious position; finding that the income approach being the most reliable, yet the Complainant providing an inappropriate mix of data, and finally a response by the Respondent that the income approach was conducted to validate the direct comparison approach; however, the Respondent failed to produce any evidence to corroborate that assertion.

[43] **The Board finds the income approach utilised by the Complainant is typically the most reliable while the direct comparison approach utilised by the Respondent provides excellent support to check the accuracy of the income approach. The Board, in this case, cannot rely on the income approach and must make a decision on other evidence and argument submitted.**

Question 2 Is the subject assessed in a fair and equitable manner?

Complainant's position

[44] The Complainant indicated that the subject is assessed inequitably with similar and competing

properties. (C1 p. 2)

- [45] The Complainant reviewed property details and provided testimony that the subject is a multi-tenant industrial warehouse with four distinct bays occupied with four tenants. (C1 pp. 5-10)
- [46] The Complainant asserted that in multi-bay buildings, bay size must be compared to similar bay size in order to have appropriate lease comparables. In the subject, the Complainant testified that there are four bays of approximately 49,000 square feet each and that the comparables regardless of overall size, based on the income approach, should be compared to other warehouse bays of similar size.
- [47] The Complainant provided ten equity comparables giving testimony that three of them are built in an identical manner. Two comparables are within the same area. (C1 p. 13)
- [48] The Complainant's analysis ranges between \$63 and \$91 per square foot and arrives at a median of \$89 per square foot compared to an assessment of \$111 per square foot. Site coverage ranges between 34% and 51% with a median of 47% versus the subject at 44%. Finish ranges between 0% and 25% with a median of 7% versus the subject at 11%. Total square footage ranges between 149,985 and 628,068 square feet with a median of 374,882 square feet versus the subject at 195,585 square feet. Five of the ten comparables have multiple buildings and two comparables are single tenant buildings. The subject is a single building with multiple tenants.

Respondent's position

- [49] The Respondent explains that the ten equity comparables provided by the Complainant have significant physical differences from the subject property and that when adjusted indicate the subject property is equitable.
- [50] The Respondent reviewed the property details, defining the subject as a multi-tenant industrial warehouse. (R1 pp. 8-14)
- [51] The Respondent provided the explanation of the key factors; however, did not provide the coefficients for the Board to verify the appropriate comparisons. A multi-building coefficient has been applied as one of the key factors. (R1 pp. 23-24 and 39)
- [52] The Respondent provided two equity charts:
- [1] Central region (same as subject) with six comparables resulting in a range of \$60 and \$82 per square foot and arrives at a median of \$65 per square foot compared to an assessment of \$111 per square foot. Site coverage ranges between 33% and 70% with a median of 53% versus the subject at 44%. Finish ranges between 0% and 68% with a median of 9% versus the subject at 11%. Total square footage ranges between 145,000 and 188,325 square feet with a median of 172,673 square feet versus the subject at 195,585 square feet. Two comparables are single tenant buildings. The subject is a multiple tenant building.
- [2] City wide with seven comparables resulting in a range of \$92 and \$118 per square foot and arrives at a median of \$102 per square foot compared to an assessment of \$111 per square foot. Site coverage ranges between 26% and 58% with a median of 29% versus the subject at 44%. Finish ranges between 0% and 17% with a median of 5% versus the subject at 11%. Total square footage ranges between 96,357 and 226,126

square feet with a median of 201,415 square feet versus the subject at 195,585 square feet. Six comparables are single tenant buildings. The subject is a multiple tenant building.

Board's findings

[53] The Board finds the equity comparables from both parties vary significantly making it difficult to compare. There is wide variance within every key factor, combined with no information on how each coefficient has been adjusted; the Board has difficulty arriving at an equitable assessment. This apparent inability, from both the Complainant and the Respondent, to provide good comparables adds weight to the finding that large (over 100,000 square feet) industrial warehouse properties should be assessed on the income approach. Without reliable data to value on the income approach, the Board is forced to try and find an equitable value using the best comparables from each party.

[54] The Board corrected some values within evidence as information was provided during rebuttal that two of the equity comparables of the Respondent were reduced by agreement between the parties. The assessment value and assessment per square foot values have been altered for 11 Dufferin Place SE and 5555 78 Avenue SE. See chart below for the Board's analysis:

Equity comparables from Complainant and Respondent on one chart by building:

Region and NPZ	Address	Building Type	Land Area - Acres	Footprint - Square Feet	Assessable Building Area - Square Feet	Actual Year of Construction	Finish Percentage	Site Coverage Percentage	Assessed Rate per square foot	Assessment
SE OS2	2600 61 AVE SE	IWM	26.10	43,208	43,208	1998	48%	36%	\$ 106.94	\$4,620,635
SE VA1	2654 45 AVE SE	IWM	6.93	66,307	66,307	1998	21%	50%	\$ 90.94	\$6,029,926
SE VA1	2654 45 AVE SE	IWM	6.93	83,678	83,678	1998	12%	50%	\$ 87.68	\$7,337,299
SE SF1	5555 78 AVE SE	IWS	7.70	96,357	142,382	1996	0%	29%	\$ 85.26	\$12,140,000
CENT HF5	4040 BLACKFOOT SE	IWM	4.82	96,501	145,000	1956	68%	46%	\$ 70.74	\$10,257,401
CENT BB3	2204 PORTLAND ST SE	IWM	20.35	105,976	117,459	2000	20%	51%	\$ 95.68	\$11,238,179
SE VA1	5500 22 ST SE	IWM	26.69	136,736	136,736	2007	0%	34%	\$ 100.47	\$13,737,830
CENT BB3	2204 PORTLAND ST SE	IWM	20.35	139,456	150,111	2000	15%	51%	\$ 91.74	\$13,771,785
SE SF1	4800 52 ST SE	IWM	18.04	147,027	171,274	2000	35%	39%	\$ 91.13	\$15,607,987
SE SF1	4800 52 ST SE	IWM	18.04	157,692	157,692	1999	14%	39%	\$ 90.04	\$14,197,869
CENT RV1	6324 10 ST SE	IWM	7.11	157,792	157,792	1977	5%	51%	\$ 68.53	\$10,813,300
SE SF1	5498 76 AVE SE	IWM	7.76	159,686	159,686	1998	16%	47%	\$ 87.96	\$14,046,194
CENT HF1	1350 42 AVE SE	IWM	6.47	163,200	164,720	1974	6%	58%	\$ 60.00	\$9,883,200
CENT HF1	1115 34 AVE SE	IWS	7.09	168,554	182,621	1968	0%	55%	\$ 60.00	\$10,957,260
NE FE1	10 FREEPORT WY SE	IWS	13.25	168,622	168,622	2006	14%	29%	\$ 118.40	\$19,964,704

CENT BU1	5760 9 ST SE	IWM	11.71	169,941	180,626	1973	13%	33%	\$ 82.43	\$14,888,334
NE DF2	928 72 AVE NE	IWM	9.65	170,417	171,025	1998	17%	41%	\$ 102.13	\$17,466,901
CENT SM3	5516 5 ST SE	IWS	5.66	173,743	188,325	1961	18%	70%	\$ 60.00	\$11,299,500
SE OS2	2600 61 AVE SE	IWM	26.10	181,474	181,474	1998	6%	36%	\$ 88.54	\$16,067,817
SE OS2	2600 61 AVE SE	IWM	26.10	183,190	183,190	1998	5%	36%	\$ 88.33	\$16,181,324
SE DU1	11 DUFFERIN PL SE	IWS	8.01	201,415	201,416	2004	2%	58%	\$ 73.48	\$14,800,000
CENT BB3	2204 PORTLAND ST SE	IWM	20.35	203,995	203,995	2000	7%	51%	\$ 86.21	\$17,585,903
SE DU1	11440 54 ST SE	IWS	18.53	209,290	212,759	2005	5%	26%	\$ 107.85	\$22,946,741
NE DF2	6040 11 ST NE	IWS	11.44	209,993	209,993	2002	5%	42%	\$ 93.72	\$19,681,550
SE VA1	4841 47 ST SE	IWM	10.68	225,882	235,576	2000	4%	49%	\$ 81.53	\$19,205,972
SE FO3	7310 108 AVE SE	IWS	25.07	226,126	226,126	2008	4%	21%	\$ 103.86	\$23,486,173
SE VA1	5500 22 ST SE	IWM	26.69	262,835	267,355	2005	3%	34%	\$ 83.52	\$22,328,981
SE FO1	5350 86 AVE SE	IWM	17.31	345,674	345,674	2008	4%	46%	\$ 75.45	\$26,080,488
SE SF2	5801 72 AVE SW	IWM	20.92	411,560	411,560	2009	2%	45%	\$ 90.81	\$37,371,879
SE DU1	25 DUFFERIN PL	IWS	29.97	624,548	628,068	1999	2%	48%	\$ 63.09	\$39,622,159
	MEDIAN			169,282	351,900	1999	6%	48%	\$ 88.15	
	MEAN			189,696	196,482	1995	12%	43%	\$ 86.22	
CENT BB1	3201 OGDEN RD SE	IWM	10.11	195,585	195,585	2007	11%	44%	\$ 111.23	\$ 21,754,441

[55] In the chart above, the Board finds the medians for assessed area, age, and finish are not comparable with the subject. The Board trimmed the comparables provided by both parties to arrive at the best comparables as collaborated by the median results:

Best equity comparables from Complainant and Respondent on one chart by building:

Region and NRZ	Address	Building Type	Land Area - Acres	Footprint - Square Feet	Assessable Building Area - Square Feet	Actual Year of Construction	Finish Percentage	Site Coverage Percentage	Assessed Rate per square foot	Assessment
CENT BB3	2204 PORTLAND ST SE	IWM	20.35	139,456	150,111	2000	15%	51%	\$ 91.74	\$13,771,785
SE SF1	4800 52 ST SE	IWM	18.04	147,027	171,274	2000	35%	39%	\$ 91.13	\$15,607,987
SE SF1	4800 52 ST SE	IWM	18.04	157,692	157,692	1999	14%	39%	\$ 90.04	\$ 14,197,869
SE SF1	5498 76 AVE SE	IWM	7.76	159,686	159,686	1998	16%	47%	\$ 87.96	\$ 14,046,194
NE DF2	928 72 AVE NE	IWM	9.65	170,417	171,025	1998	17%	41%	\$ 102.13	\$ 17,466,901
SE OS2	2600 61 AVE SE	IWM	26.10	181,474	181,474	1998	6%	36%	\$ 88.54	\$ 16,067,817

SE OS2	2600 61 AVE SE	IWM	26.10	183,190	183,190	1998	5%	36%	\$ 88.33	\$ 16,181,324
CENT BB3	2204 PORTLAND ST SE	IWM	20.35	203,995	203,995	2000	7%	51%	\$ 86.21	\$ 17,585,903
NE DF2	6040 11 ST NE	IWS	11.44	209,993	209,993	2002	5%	42%	\$ 93.72	\$ 19,681,550
SE VA1	4841 47 ST SE	IWM	10.68	225,882	235,576	2000	4%	49%	\$ 81.53	\$ 19,205,972
	MEDIAN			175,946	176,374	1999	11%	45%	\$ 89.29	
	MEAN			177,881	182,402	1999	12%	43%	\$ 90.13	
CENT BB1	3201 OGDEN RD SE (subject)	IWM	10.11	195,585	195,585	2007	11%	44%	\$ 111.23	\$ 21,754,441

[56] The Board in the second chart removed comparables which were; very small (under 150,000 square feet), very large (over 250,000 square feet), and too old (older than 1998) in order to evaluate the best comparables. Also one comparable was removed because the evidence indicated it was a cold storage facility. The result is mean and median values much closer to the subject providing a better indication of value.

[57] **The Board finds the assessment of the subject to be inequitable and hereby changes the assessed per square foot value to \$89. In the chart, the mean and median age and finish are inferior to the subject; however, the Respondent did not provide the coefficients necessary for the Board to make an appropriate adjustment.**

Region and NPZ	Address	Building Type	Land Area - Acres	Footprint - Square Feet	Assessable Building Area - Square Feet	Actual Year of Construction	Finish Percentage	Site Coverage Percentage	Revised Assessed Rate per square foot	Revised Assessment
CENT BB1	3201 OGDEN RD SE	IWM	10.11	195,585	195,585	2007	11%	44%	\$ 89.00	\$ 17,407,065

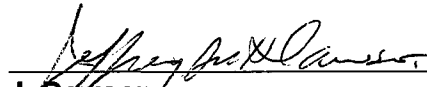
Matter #4 - an assessment class

[58] The Board did not hear any evidence requesting a change in an assessment class from its current non-residential designation.

Board's Decision:

[59] After considering all the evidence and argument before the Board it is determined that the subject's assessment is changed to a truncated value of \$17,400,000 which reflects market value and is fair and equitable.

DATED AT THE CITY OF CALGARY THIS 4th DAY OF December 2012.



J. Dawson
Presiding Officer

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

NO.	ITEM
1.	C1 Complainant Disclosure – 57 pages
2.	C2 Complainant Disclosure–Addenda – 219 pages
3.	R1 Respondent Disclosure – 221 pages
4.	C3 Rebuttal Disclosure – 280 pages

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.*

Municipal Government Board use only: Decision Identifier Codes				
Appeal Type	Property Type	Property Sub-Type	Issue	Sub-Issue
CARB	Warehouse	Warehouse Multi Tenant	Cost/Sales Approach	Equity
			Income Approach	