

**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:

Pensionfund Realty Limited, (as represented by AEC International Inc.), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

L. Wood, PRESIDING OFFICER

M. Peters, MEMBER

E. Reuther, 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 2011 Assessment Roll as follows:

ROLL NUMBER:	117007906
LOCATION ADDRESS:	5498 76 AV SE
HEARING NUMBER:	63637
ASSESSMENT:	\$14,830,000

This complaint was heard on 22 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:

- *Mr. A. Payn* *Agent, AEC International Inc.*

Appeared on behalf of the Respondent:

- *Mr. M. Berzins* *Assessor, City of Calgary*

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

The parties requested that the evidence and argument pertaining to file #63207 be carried forward to this file as it is similar. The Board agreed with the parties' request.

Property Description:

The subject property is a multi tenant industrial warehouse located in the Great Plains community. It is comprised of 159,686 sq. ft.; built in 1998; and has 16% finish. The building is situated on 7.76 acres of land. The site coverage ratio is 47.21%. The land designation is I-G, Industrial General.

The property was assessed based on the Direct Sales Comparison approach and has an assessed value of \$92.00 psf.

Issues:

1. The subject property should have been assessed based on the Income Approach to value.
2. The subject property is not equitably assessed with similar properties.

Complainant's Requested Values: \$10,634,000 or \$12,935,000

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

1. The subject property should have been assessed based on the Income Approach to value.

The Complainant submitted the Income Approach to value is the preferred method of valuation for large warehouse properties. He argued there are not enough sales in the market to support the Direct Sales Comparison approach as applied by the Respondent in assessing warehouse properties. He submitted that there were 4 sales of warehouse buildings in excess of 100,000 sq. ft., only two of which were used in the Respondent's analysis, which had an ASR (assessment to sales ratio) between 0.928 – 1.156 (Exhibit C1 pages 23 & 24).

The Complainant submitted that it is difficult to obtain actual leasing information and presented a chart based on discussions with local brokers (Exhibit C1 page 15). The chart was comprised of 4 large warehouses of 79,500 – 108,173 sq. ft., which leases had commenced in February – September 2010, at \$4.90 psf - \$5.50 psf and the Complainant derived an average rent of \$5.29 psf. He indicated that third - party market reports in the 2010 Q2 also support that data (Exhibit C1 page 14).

The Complainant derived the remaining income parameters based on the market reports: vacancy rate (4.6%), vacancy shortfall (\$1.75 psf), unrecoverable expenses (1%) and capitalization rate (7.25%) (Exhibit C1 pages 16 - 21). The Complainant applied these valuation parameters to the subject property and derived a value of \$10,634,000 (or \$66.59 psf) (Exhibit C1 page 22).

The Respondent submitted that the Complainant's Income Approach was put forward with no supporting market evidence; therefore, the only issue before the Board is equity. He argued that recent Board decisions suggest that an assessment could be reduced based on equity if it fell outside of the range of market values. The Respondent cited Board decisions CARB 1251-2011-P and CARB 1119-2011-P but did not provide copies of those decisions to the Board.

The Respondent submitted the Assessment Request for Information ("ARFI") for the subject property dated April 1, 2010 (Exhibit R1 pages 32 - 34). The ARFI shows there are 3 tenants that lease areas of 15,400 sq. ft. – 41,440 sq. ft. for \$5.75 - \$7.50 psf. There is an area of 72,046 sq. ft. that is vacant. The Tenant Rent Roll reflects the space of 15,400 sq. ft. had a 5 year lease that commenced in 2004 for \$5.75 psf and is currently leased at a higher rate. The same tenant also leases the area of 30,800 sq. ft. The total leased area for that tenant is 46,200 sq. ft. at \$7.25 psf (Exhibit R1 page 35).

The Respondent presented 7 sales comparables in support of the assessed rate applied to the subject property (Exhibit R1 page 28). The sales occurred in December 2007 to April 2010. The buildings are 116,724 – 301,930 sq. ft.; situated on parcels 4.44 – 15.84 acres; site coverage 26.41% - 60.05%; built in 1990 - 2008; finish 0% - 47%; and had sold for a time adjusted sale price of \$81.00 - \$135.00 psf (median of \$114.00 psf).

The Board placed little weight on the Complainant's Income Approach to value because the income parameters, which were based on third party market reports, were unsupported. Moreover, the current leases in the subject property of \$7.25 psf - \$7.50 psf (based on the income parameters submitted by the Complainant) support its current assessment.

2. The subject property is not equitably assessed with similar properties.

The Complainant submitted 23 equity comparables (including the subject property) in support of a reduced assessed rate (Exhibit C1 page 26). The buildings are 146,780 sq. ft. – 767,000 sq. ft.; parcels of 5.98 – 45.02 acres; site coverage 31.3% - 62.6%; built in 1990 - 2009; and assessed \$51.00- \$99.00 psf. However, the Complainant relied solely on three of those comparables in his submission; specifically, the properties located at 11 Dufferin Place SE, 5555 69 Avenue SE and 5664 69 Avenue SE. These three properties have building sizes of 201,415 - 309,557 sq. ft.; parcels 8.01- 11.72 acres; site coverage of 50.5% - 60.6%; built in 2002 - 2005; and were assessed between \$75.00 - \$87.00 psf. The Complainant suggested a mid - range rate of \$81.00 psf to be applied to the subject property for an assessed value of \$12,935,000.

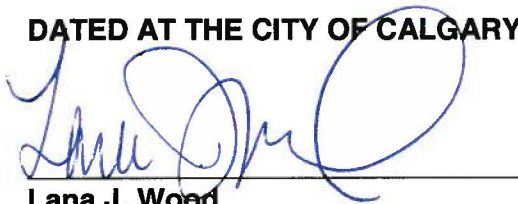
The Respondent submitted 7 equity comparables in support of the assessed rate applied to the subject property (Exhibit R1 page 27). The buildings were 111,500 sq. ft. – 345,674 sq. ft.; site coverage 37% - 50%; built in 2000 - 2008; finish 0% - 48%; and assessed \$77.00 - \$125.00 psf.

The Board finds the Complainant's equity argument fails because his equity comparables are not similar to the subject property in terms of building size and site coverage whereas the Respondent's showed a higher degree of comparability.

Board's Decision:

The decision of the Board is to confirm the 2011 assessment for the subject property at \$14,830,000.

DATED AT THE CITY OF CALGARY THIS 18 DAY OF OCTOBER 2011.



**Lana J. Wood
Presiding Officer**

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

EXHIBIT NO.	ITEM
1. C1	Complainant's Submission
2. C2	Complainant's Rebuttal
3. R1	Respondent's Submission

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.*