

**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:**

***1314287 Ontario Inc.,  
(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:

<b>ROLL NUMBER:</b>	<b>098012818</b>
<b>LOCATION ADDRESS:</b>	<b>2600 61 AV SE</b>
<b>HEARING NUMBER:</b>	<b>63395</b>
<b>ASSESSMENT:</b>	<b>\$38,320,000</b>

This complaint was heard on 23 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. I. McDermott*                              *Assessor, City of Calgary*
- *Mr. K. Gardiner*                              *Assessor, City of Calgary*

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

There were no procedural or jurisdictional matters raised by the parties during the hearing.

**Property Description:**

The subject property is comprised of three industrial warehouses (with office area), located in Odgen Shops. The buildings were constructed in 1998. The first building is a multi tenant warehouse, comprised of 183,190 sq. ft. and has 5% finish. It was assessed at a rate of \$90.00 psf. The second is a multi tenant warehouse, comprised of 181,474 sq. ft. and has 6% finish. It was assessed at a rate of \$91.09 psf. The third is a single tenant warehouse comprised of 43,208 sq. ft. and has 48% finish. It was assessed at \$119.50 psf. The gross building area for this property is 407,872 sq. ft. and the parcel size is 26.10 acres. The site coverage ratio is 35.87%. The land use designation is I-G, Industrial General.

The property was assessed based on the Direct Sales Comparison approach and has an overall value of \$93.96 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:** \$27,161,000 or \$33,025,000

**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. used in the Respondent's analysis but none were similar to the subject property (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 which 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 17 - 21). The Complainant applied these valuation parameters to the subject property and derived a value of \$27,161,000 (or \$66.59 psf) (Exhibit C1 page 22).

The Respondent submitted that many of these warehouses are owner occupied and are not necessarily purchased for income. This is the reason why it does not use the Income Approach to value these types of properties. The Respondent presented 17 sales comparables in support of the assessed rates applied to the subject buildings (Exhibit R1 page 26). There were 10 sales comparables presented of warehouses, in excess of 100,000 sq. ft., which had sold in November 2007 – April 2010. The buildings were 108,800 – 301,930 sq. ft., situated on parcels 4.44 – 15.84 acres; site coverage 26.41% - 60.05%; built in 1973 - 2008; finish 0% - 47%; and had sold for a time adjusted sale price of \$71.00 - \$135.00 psf.

The Respondent presented 7 sales comparables in support of the 43,208 sq. ft. building which had sold in July 2007 – October 2008: the buildings were 28,313 – 54,168 sq. ft.; parcel size 1.39 – 4.83 acres; site coverage 15.37% – 46.89%; built in 1963 – 2000; finish 6% – 38%; and had sold for a time adjusted sale price of \$87.00 - \$171.00 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. The Board finds the sales comparables presented by the Respondent supported the current assessment of the subject property.

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

The Complainant submitted 23 equity comparables in support of a reduced assessed rate (Exhibit C1 page 26). The buildings were 146,780 sq. ft. – 767,000 sq. ft.; parcels of 5.98 – 45.02 acres; site coverage 31.3% - 60.6%; 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 \$33,025,000.

The Respondent submitted 5 equity comparables in support of the assessed rate applied to the 43,208 sq. ft. building (Exhibit R1 page 24). The buildings were 36,260 sq. ft. – 52,973 sq. ft.;

parcels of 2.39 – 8.96 acres; site coverage 23% - 45%; built in 1974 - 2007; finish 0% - 31%; and assessed \$84.00 - \$132.00 psf.

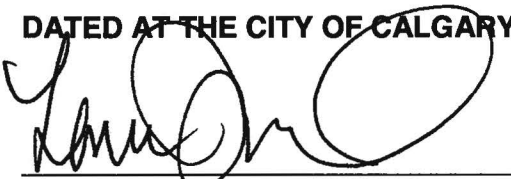
The Respondent submitted 7 equity comparables in support of the assessed rate applied to the buildings over 100,000 sq. ft. (\$91.00 psf) (Exhibit R1 page 25). The buildings were 157,692 sq. ft. – 267,355 sq. ft.; parcels of 15.29 – 26.69 acres; site coverage 34% - 60%; built in 1998 - 2006; finish 3% - 35%; and assessed \$74.00 - \$97.00 psf.

The Board was not convinced by the Complainant's equity argument because there were no similarities drawn between his three equity comparables and the subject property. Simply comparing their parcel sizes, which are 15 - 18 acres smaller than the subject property's, poses some challenges for the Complainant in trying to convince the Board of their similarity. The Board also noted the Complainant did not submit any equity comparables similar to the smaller building on the subject site (43,208 sq. ft.) in his analysis.

**Board's Decision:**

The decision of the Board is to confirm the 2011 assessment for the subject property at \$38,320,000.

DATED AT THE CITY OF CALGARY THIS 7 DAY OF OCTOBER 2011.

A handwritten signature in black ink, appearing to read 'Lana J. Wood', is written over a horizontal line.

**Lana J. Wood**  
**Presiding Officer**

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

<b>EXHIBIT NO.</b>	<b>ITEM</b>
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.*