

**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:

FI Portfolio Inc. (as represented by Altus Group), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

D. Trueman, PRESIDING OFFICER

Y Nesry, MEMBER

J. Rankin, 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: 009007006

LOCATION ADDRESS: 6735 11th St. NE.

HEARING NUMBER: 63383

ASSESSMENT: \$24,050,000

This complaint was heard on 7th day of October, 2011 at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 11.

Appeared on behalf of the Complainant:

- *C VanStaden*

Appeared on behalf of the Respondent:

- *K Cody*

Background

The hearing began with the Complainant advising the Board that this complaint is part of an agenda for hearings this week which related to generally larger industrial warehouse properties. In respect of this she advised the panel that she had prepared evidentiary documents that would be common to most of the decisions that the panel would make throughout the week and which had been presented at the first hearing. She said that these documents pertained to an Income Approach to value which she said was more appropriate, for valuation purposes, than the Direct Sales Comparison Approach used by the assessor. Without a re-presentation of her argument she asked the Board to be reminded of his comments in this regard and that they should be referenced in this decision. The Respondent accepted this general argument submission and agreed that such evidentiary material had been exchanged. The panel acknowledged the documents which had been marked as complainant exhibits GC 1, GC 2, GC 3, GC 4 and GC 5 which would be used accordingly when referenced throughout this hearing.

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

The parties agreed that there were no procedural or jurisdictional matters prior to the commencement of this hearing.

Property Description:

The subject property is a single user complex, consisting of three buildings and used by Finning (Canada) Inc. for large construction equipment sales and repair. The complex was constructed in 1980 on 29.98 acres of land located in the northeast industrial "Deerfoot Business Centre" neighbourhood. The main building demonstrates a 110,402 ft.² footprint with a net rentable area of 129,754 ft.², the second building demonstrates a 16,600 ft.² footprint with a net rentable area of 19,600 ft.² and the third building is a 600 ft.² guard or security station.

Issues:

A variety of issues were described on the original complaint form however at hearing the panel determined that the issues are:

1/ Does the Complainant's Income Approach yield a more convincing value conclusion than the assessor's Direct Sales Comparison Approach?

2/ Is the matter of excess land correctly established by the assessor?

Complainant's Requested Value: \$18,300,000

Complainant's position

Issue #1 The Complainant asserted that the subject property was somewhat unique with respect to its single user characteristics within multiple buildings. She said that the assessor had erred in her use of the Market Approach as her primary valuation method, since her multiple building adjustment would not necessarily capture an appropriate adjustment for this feature. The Complainant presented market lease information relating to industrial buildings in categories of larger and smaller, suggesting that the median rental rate for larger improvements was \$6.65 a square foot while the median rental rate for smaller improvements was \$7.66 a square foot. She had earlier testified and supplied evidence that a 5% vacancy allowance and 8.25% capitalization rate were appropriate factors. The Complainant said that when applying the appropriate rental rate to the various size areas, and then adding an appropriate amount for excess land; she had her primary support, for her requested assessed value of \$18,300,000. As further support for her request the Complainant presented two sales comparables, at page 13, which suggested that an average selling price on a per square foot basis for comparable properties was \$81 a square foot, without considerations for an excess land feature.

Issue #2 The Complainant began by saying that the City's calculation for excess land was the main reason for this complaint. The Complainant pointed to a variety of plot plan diagrams, pertaining to the subject, found on pages 27 through 34 of exhibit C1. She asserted that the City's approach in determining an amount for excess land does not consider the present physical placement of the improvements on the site. The City have determined, from their calculations, that there is excess land in the amount of 20.21 acres, while the Complainant contends that in her opinion, 9.98 acres is all that could be used for additional sites. She drew the Board's attention to the published document entitled "City Industrial Land Rates", which pointed out that in the area of the subject, values were \$925,000 per acre for the first 2 acres and \$600,000 per acre thereafter; to a maximum parcel size of 10 acres. She said that such values were used in her calculation of what in her opinion a correct excess land value of \$6,640,004 should be.

Respondent's position

Issue #1 The Respondent presented four comparable sales which suggested a median value on a per square foot basis for the larger building of \$121. The Respondent then provided five sales from which the median value would suggest a rate of \$123 a square foot for the subject smaller building. The 2011 Assessment Explanation Supplement presented by the Respondent indicates that rates of \$77 and \$110.08 a square foot were used respectively for the larger and smaller subject buildings.

Issue #2 The assessor presented the Board with a land value "adjustment" for the subject property of \$11,844,453 in her 2011 Assessment Explanation Supplement. She advised the Board that this was the amount for excess land which was calculated based upon a standard assumption of land requirement for warehouses throughout the City. This standard assumption relates to a 30% site coverage ratio for industrial properties. The assessor was not forthcoming with regard to her method of calculation for the total land value.

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

Issue #1 The Board notes that the assessor's final application of building value for the two main buildings, on a weighted average basis, is roughly \$81.41 a square foot, not including the guard station. This is in line with the Complainant's value conclusion for the buildings and typical land base of \$77.81. The panel notes that there is no explanation for the departure from the roughly \$120 a square foot value indications provided by the assessor's comparables. The evidence and value conclusions presented by the assessor's 2011 Assessment Explanation Supplement is the preferred data, with respect to the improvements for this assessment, net of excess land value, and this amount is \$12,214,476..

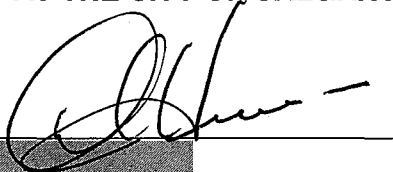
Issue #2 The Board agrees that while the mass appraisal approach requires standardized applications, such applications cannot ignore the activities of marketplace buyers and sellers. It is the Board's opinion, that in this case, the assessor has simply applied an arithmetic norm of 30% to the building footprint area, thus determining an excess land component, without regard for features such as access and circulation. Therefore, the Board agrees with the Complainant's position, as presented on her plot plan map, and accepts that an area of approximately 10 acres of excess land is depicted. Given that the only undisputed evidence before the Board, for valuation for undeveloped land, relates to a 10 acre parcel size, it is reasonable to determine an excess land value to be \$6,650,000.

Board's Decision:

The aggregate of property values from each issue is \$18,865,000 (rounded) and is the best reflection of market value for the subject property.

The complaint is allowed and the assessment is reduced to \$18,865,000.

DATED AT THE CITY OF CALGARY THIS 10 DAY OF November 2011.



Presiding Officer

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

| NO. | ITEM |
|---------|----------------------------------|
| 1. GC 1 | Complainant "Generic" Disclosure |
| 2. GC 2 | " " " |
| 3. GC 3 | " " Rebuttal |
| 4. GC 4 | " " " |
| 5. GC 5 | " " " |
| 6. C1 | Complainant Disclosure |
| 7. 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 ADMINISTRATIVE USE

| Subject | Property Type | Property Sub-Type | Issue | Sub-Issue |
|---------|---------------|-----------------------|--------------------|------------|
| CARB | Warehouse | Warehouse Single User | Valuation Approach | Land value |