

**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:**

***1328138 Alberta Ltd. (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: 201276367**

**LOCATION ADDRESS: 1832 - 115 Avenue NE**

**HEARING NUMBER: 64285**

**ASSESSMENT: \$32,080,000**

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 Buckry*

### **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 her 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 property consists of an almost newly constructed (2008) single user distribution type warehouse building. It contains a rentable area of 356,288 ft.<sup>2</sup> on a land base of 16.26 acres, with a 0% office finish ratio. According to a City of Calgary Assessment Request for Information (ARFI) the building has been leased to Harmony Logistics Inc., commencing August 2008 at an annual rental rate of \$6.95 a square foot. It is located in the northeast "Stony 1" industrial district.

**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, supported by direct sales comparables, yield a more convincing value conclusion than the assessor's mass appraisal technique?
- 2/ Has the requirement of equity with similarly assessed properties (fairness) been achieved with the current assessment amount?

**Complainant's Requested Value:** \$30,350,000

**Complainant's position:**

Issue #1 The Complainant presented market lease information relating to industrial buildings in large size categories together with information from business assessments which described current lease rates. This information generally supported market lease rates for the subject property in a range from \$5.25 a square foot to \$7.30 a square foot. The Complainant pointed out that the high end of this range was from the neighboring subject building that was leased and which was reported as having 1% of finished area. The Complainant had earlier testified and supplied evidence that a 5% vacancy allowance and 7.75% capitalization rate were appropriate factors. The Complainant said that this was her primary support for her requested assessed value of \$30,353,439 before rounding. This equates to a value of \$85.19 a square foot for the subject building. In support of this the Complainant provided two sales comparables which demonstrated unit values in a range of \$78-\$84 a square foot, suggesting that the age and office finish of the more comparable building at \$84 a square foot accounted for the difference. On this basis she said that her request to value was well supported.

Issue #2 The Complainant provided the Board with a chart of five equity comparables and a narrative for the rationale describing their comparability.

**Respondent's position:**

Issue #1 The Respondent pointed out that from the Complainants chart of comparable sales, he was in agreement with the proposition that the sale at 4100 Westwinds Dr. was the best comparable. He said that because of the newness of the subject property his assessment at \$90 a square foot was the reason for the difference with the value of the comparable sale at \$84 a square foot. The Respondent drew the Board's attention to a May 2011 article which describes the subject properties and the owners proposing construction for similar buildings on adjoining lands. He also pointed out that the subject building was in the category to be certified as LEED which stands for Leadership in Energy and Environmental Design and thus a better quality property.

Issue #2 The Respondent provided a chart of three equity comparables which he said supported his contention that his assessment of the subject property at \$90 a square foot was reasonable given that the average assessment for comparable properties in the same neighbourhood was \$95 a square foot.

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

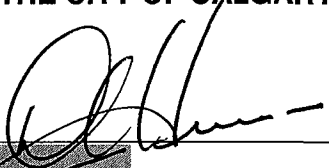
Issue #1 The Board notes the absence of market data to support the Respondents assessed value. The Board agrees with the Complainant that an Income Approach is reasonable methodology given the nature of the property. The Board understands that the level at which a property earns rental income is the best measure of its quality and condition. To this end a virtually identical building leased next door is earning \$7.30 a square foot and is described as having office finish, while the subject property, without office finish is leased at \$6.95 a square foot. Furthermore, the comparable sale, which the parties agree provides a good reflection of value for the subject property, is also leased at \$6.65 a square foot and demonstrates a larger amount of office finish however also demonstrates the offsetting feature of increased age. It is therefore the decision of the panel that the Complainant has provided adequate support for her requested assessment reduction and the Respondent has failed to support his assessed value.

Issue #2. Following the direction of the Bentall decision the Board understands that market value (assessment value) is found within a range. It is therefore necessary to firstly establish the market value of the subject property; and then determine if the range in which this value lies falls outside of the range in which the assessed value lies, which is the direction provided by the Bramalea decision. In this case the Complainant has persuaded the Board that the market value of the subject property is \$85.19 a square foot. Inasmuch as the parties agree that the best equity comparable is assessed at \$84 a square foot, therefore within a reasonable range, an argument for a reduced assessment based upon equity is in the opinion of the Board, moot.

**Board's Decision:**

The Complaint is allowed and the assessment is reduced to \$30,350,000.

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

  
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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 tenant	Valuation Approach	Lease Rate