

**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:

***TERRAVENTURE DEVELOPMENTS LTD., COMPLAINANT
(Represented by Altus Group Ltd.)***

and

The City Of Calgary, RESPONDENT

before:

***Board Chair P. COLGATE
Board Member R. DESCHaine
Board Member B. JERCHEL***

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 2012 Assessment Roll as follows:

ROLL NUMBER: 048051601

LOCATION ADDRESS: 2435 22 STREET NE

FILE NUMBER: 68821

ASSESSMENT: \$2,950,000.00

This complaint was heard on 12th day of November, 2012 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 5.

Appeared on behalf of the Complainant:

- C. Van Staden, Altus Group Ltd.. – Representing Terraventure Developments Ltd.

Appeared on behalf of the Respondent:

- L. Cheng – Representing the City of Calgary
- B. Brocklebank – Representing the City of Calgary

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

[1] The Board derives its authority to make this decision under Part 11 of the Municipal Government Act (the "Act"). The parties had no objections to the panel representing the Board as constituted to hear the matter.

[2] The Complainant requested the evidence and discussion from File Number 68812, Roll Number 032030405, with respect to the Income Approach be brought forward to this hearing. The Complainant submitted the evidence would be the same as in the previous case and for efficiency it would not be necessary to repeat the presentation. There was no objection from the Respondent. The Board accepted the request.

[3] As there were no further jurisdictional or procedural matters, the Board proceeded to hear the merits of the complaint.

Property Description:

[4] The subject property is a single tenant industrial warehouse of 14,880 square feet of assessable area built in 1988. The structure is situated on a 2.19 acre parcel of land designated General Industrial in the South Airways Industrial Area. The property is assessed for \$2,957,115.00 at a rate of \$198.73 per square foot, based upon a Sales Comparison Approach.

Issues:

[5] The inequity between the assessments of the subject property in comparison to similar warehouse properties, based upon a Sales Comparison Approach and Income Approach to valuation.

Complainant's Requested Value: \$2,540,000.00 (Revised during the hearing)

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

[6] In the interest of brevity, the Board will restrict its comments to those items the Board found relevant to the matters at hand. Furthermore, the Board's findings and decision reflect on the evidence presented and examined by the parties before the Board at the time of the hearing.

[7] Both the Complainant and the Respondent submitted background material in the form of aerial photographs, ground level photographs, site maps and City of Calgary Assessment Summary Reports and Income Approach Valuation Reports.

[8] Prior Assessment Review Board decisions and higher court decisions were placed before the Board in support of requested positions of the parties. While the Board respects the decisions rendered by those tribunals, it is also mindful of the fact that those decisions were made in respect of issues and evidence that may be dissimilar to the evidence presented to this Board. The Board will therefore give limited weight to those decisions, unless issues and evidence were shown to be timely, relevant and materially identical to the subject complaint.

[9] Before rendering its decision, The Board noted circumstances that arose from the presentation of the Complainant in the hearing. The Complainant's presentation included extensive material on both the Sales Comparison Approach and the Income Approach to valuation and drew differing opinions of value for each approach. The Complainant concluded its presentation by requesting a revised assessment was based specifically on the evidence presented with respect to the Sales Comparison Approach. When questioned by the Board for the reasons for submitting evidence based upon an Income Approach, but not utilized in the requested assessment, the Complainant stated that it was the requirements of a responsible appraiser to present the alternative approaches to valuation. However, the Complainant went on to state the Income Approach presented did not contain sufficient evidence to be a supported value and was therefore not selected for the requested revision to the assessment.

[10] The Board further noted the presentation by the Respondent presented the Sales Comparison Approach, but limited its Income Approach to only responding to the evidence presented by the Complainant.

[11] Based upon the Complainant's response, it was the decision of the Board to review evidence presented by both the Complainant and the Respondent, but the Board's decision would be weighted on the Sales Comparison Approach evidence. The presentations on the Income Approach were given limited weight in the Board's deliberations and were not reference in this decision.

Complainant's Evidence:

[12] The Complainant submitted a chart of seven (7) sales located in the northeast and southeast quadrants of the City of Calgary. (C1, Pg. 15)

- Four sales were located in the northeast quadrant
- Three sales were located in the south east quadrant
- Footprint areas ranged from 12,904 to 16,685 square feet
- Total assessed building areas ranged from 13,437 to 18,024 square feet
- Land areas ranged from 1.08 to 2.83 acres
- Site coverage ranged from 13% to 27%
- Building types were one-3 or more unit warehouse and six-2 or less units warehouses

- Year of construction ranged from 1954 to 1983
- Percentage of finish ranged from 2% to 56%
- Oldest sale date was August 14, 2008
- Most recent sale date was June 22, 2011
- Sale prices ranged from \$1,500,000 to \$3,050,000
- City time adjusted sale prices ranged from \$1,443,834 to \$2,887,667
- City time adjusted sale price per square foot ranged from \$110 to \$173
- 2012 assessments ranged from \$2,060,000 to \$3,280,000
- 2012 assessment per square foot ranged from \$140 to \$204
- Time adjusted assessment-to-sales ratios ranged from 94% to 161%
- The median City time adjusted sale price per square foot was \$133
- The median time adjusted assessment-to-sales ratios was 111%

[13] The Complainant revised its requested assessment during the hearing and based the request solely on the sale at 610 Moraine Road NE, which had the following attributes:

- Comparable located in the northeast quadrant
- Footprint areas was 12,904 square feet
- Total assessed building area was 13,347 square feet
- Land area was 1.10 acres
- Site coverage was 27%
- Building types was a 2 or less unit warehouses
- Year of construction was 1965
- Percentage of finish was 27%
- Sale date was June 22, 2011
- Most recent sale date was June 22, 2011
- Sale prices was \$1,500,000
- City time adjusted sale price was \$1,497,277
- City time adjusted sale price per square foot was \$112
- 2012 assessments was \$2,060,000
- 2012 assessment per square foot was \$154
- Time adjusted assessment-to-sales ratios was 138%

[14] The Complainant argued this was the most comparable sale in attributes to the subject property, but required an adjustment for the difference in land area. The Complainant submitted an adjusted market value for the subject would be \$2,540,000.00 based upon the adjustment to the comparable's sale price. It was the Board's understanding the land area adjustment was the only adjustment made to the comparable property in the determination of the revised assessment request.

[15] The Complainant submitted an analysis of the Assessment-to-Sales Ratios (ASR's), part of which challenged a number of the sales as non arms length in nature, were not sold as improved parcels or other flaws to the suitability of the sale in an analysis. The Complainant provided a sample of the sales found to be flawed. (C1, Pg. 16) The Complainant argued that under the guidelines of the International Association of Assessing Officers (IAAO) "the overall ratio between the various groupings is not more than 5% between these groupings. The ratios between the groups are in excess of the allowed standards". (C1, Pg. 17) The Complainant submitted only an analysis of the group 10,000 to 24,999 square feet and the total of the sales.

	Number of Sales	Minimum TSAR	Maximum TASR	Median TASR	Mean TASR	COD TASR	COV TSAR
10,000 to 24,999	58	0.76062	5.42306	1.09769	1.57576	53.377%	51.839%
Total	164	0.60826	5.97724	1.03521	1.28345	35.678%	68.562%

TASR – City time adjusted assessment to sales ratio

[16] The Complainant admitted the sale at 4413 11 Street NE, submitted in the chart, was not a valid submission as the land area used was incorrect. A second sale at 2420 39 Avenue NE should also be excluded as the footprint and total assessable building area had changed due to an addition since the time of sale.

[17] The Complainant submitted an Altus Group Ltd. document titled “Altus Income and Direct Sales Comparison Analysis”. (C1, Pg 28-40) The document presented a review of the direct Sales approach methodology, reviewed the validity of City sales and an analysis of the assessment to sales ratios (ASR’s).

[18] It was the argument of the Complainant that the City of Calgary analysis was flawed as the majority of the ASR’s (72%) fell outside the prescribed range of 0.95 to 1.05, reaching values as low as 60.8% and as high as 597.72%.

Respondent’s Evidence:

[19] The Respondent submitted a “2012 Industrial Sales Chart” that provided 4 sales located in the northeast quadrant. Two of the sales were in common with the Complainant’s submission – 2801 18 Street NE and 4413 11 Street NE. (R1, Pg. 17)

- Four sales were located in the northeast quadrant
- Total assessed building areas ranged from 15,018 to 28,358 square feet
- Land areas ranged from 1.08 to 3.01 acres
- Site coverage ranged from 17.68% to 31.92%
- Building types were one-3 or more unit warehouse and three-2 or less units warehouses
- Year of construction ranged from 1980 to 1997
- Percentage of finish ranged from 3% to 64%
- Oldest sale date was January 29, 2009
- Most recent sale date was August 25, 2010
- Sale prices ranged from \$2,065,000 to \$4,300,000
- City time adjusted sale prices ranged from \$1,987,678 to \$3,836,234
- City time adjusted sale price per square foot ranged from \$110.78 to \$172.03

[20] It was the Respondent’s argument that when the subject property was compared to the comparables and adjustments made for the different characteristics the rates per square foot supported the assessment. The Respondent noted adjustments would be necessary for size difference, parcel size, percentage of finish, age and site coverage.

[21] The Respondent submitted a table of the Complainant’s comparables and noted the error for 4413 11 Street NE, but more it was noted that the Complainant relied on one sale to establish the revised assessment for the subject property. It was argued that assessments under the Municipal Government Act (MGA) and its regulations must be based upon a mass

appraisal approach to value and not on a single transaction.

[22] The Respondent in response to the Complainant's submission conceded there were outliers in the assessment process with respect to the ASR's, but noted the overall, as a group, the model passed the provincial quality standard which states the group must fall within the +5% to -5% range.

Findings of the Board:

[23] The Board found the Complainant's request, based upon the sale of only one comparable, was flawed as it went against the Act and its regulations which direct the assessment must be based upon mass appraisal. (Section 2, Matters Relating to Assessment and Taxation Regulation (MRAT))

[24] The Board noted it is only in limited circumstances may a single sales be found to be an indicator of the market value for a property – the actual sale of the property within a reasonable period of time.

[25] The Board found the Complainant's methodology of adjusting for only the difference in land area was selective and limited. If adjustments had been presented for the other differences in the characteristics of the property and its comparable the result may have been significantly different than the one submitted. The Board notes significant difference in age between the two properties – 23 years – and the percentage of finish – 14%.

[26] The Board found the Respondent's submission also lacking in that it did not adequately show the relationship between the subject property and the provided comparables. On first examination it appeared the Time adjusted sale prices failed to support the rate applied to the subject property. The stock answer, "It was determined in the model and the coefficients are not for disclosure", forces the Board to conduct its own analysis of the comparables submitted.

[27] The Board reviewed the comparables submitted and concluded the following:

	Parcel Size (Acres)	Assessable Building Area (Sq. Ft.)	Year of Construction	Percentage of Finish (%)	Site Coverage (%)	Sale Price (\$)	Time Adjust Sale Price (\$)	Time Adjusted Sale Price per Sq. Ft. (\$/Sq. Ft.)
2435 22 Street NE	2.19	14,880	1988	40.00	15.57	--	--	--
Average of Altus Comparables	1.48	14,294	1967	18.33	21.00	2,216,667	2,073,609	143.67
Average of City Comparables	2.05	21,892	1987	7.67	27.00	3,255,000	3,139,686	147.09
Average of All Comparables	1.75	17,053	1973	16.25	21.89	2,345,625	2,443,822	142.93

The Board removed the 3 or more bay warehouse at 2801 18 Street NE, correct the Complainant's land area at 4413 11 Street SE and did not include the common property at 4413 11 Street SE in the average for all comparables.

[28] The Board in its analysis looked to the methodology suggested by the Complainant. The first adjustment was for the percentage site coverage based upon the land area of the subject and the Altus comparables. The subject property has 15.57% site coverage and the Altus comparables have average site coverage of 21.0%. In order to bring the subject in line with the Altus Comparables it is necessary to subtract 0.64 acres from the subject land area to have equivalent site coverage of 21% as the Altus comparables.

[29] The effect of the land area adjusts the assessment to -

$$\$2,957,115 - (0.64 \text{ acres} \times \$800,000) = \$2,445,115 \text{ or } \$164.32/\text{sq. ft.}$$

[30] The Board also looks at the difference of 21 years between the subject property and the average of the Altus comparables - 1988 versus 1967. In an example submitted by the Complainant the adjustment for age was the equivalent of \$1.00 per square foot for each year. If that rate suggested were applied the time adjusted sale price per square foot would increase to \$173.02. A conservative adjustment of only 10% would have the effect of increasing the time adjusted sale price to \$157.30 per square foot.

$$\$143.67 \times 121\% = \$173.02$$

$$\$143.67 \times 110\% = \$157.30$$

[31] The Board found that by looking at only two adjustments, as suggested by the Complainant, the rate per square foot as applied by the City of Calgary is supported by the Complainant's comparables. The Board further noted there is a significant difference in the percentage of finish between the average of the Complainant's comparables and the subject property which could also be adjusted for in a calculation.

[32] Based upon the analysis of the Complainant's comparables, the Board found there is insufficient evidence provided to support a change to the assessments of the subject property.

Board's Decision:

[33] Based upon the findings of the Board and the reasons provided, the assessment is confirmed at \$2,950,000.00.

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



PHILIP COLGATE
Presiding Officer

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

NO.	ITEM
1. C1	Complainant Disclosure
2. R2	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	-Cost/Sales Approach	-Equity Comparables