

**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:

***ALBERTA ASSETS (2006) INC., COMPLAINANT
(Represented by Altus Group Ltd.)***

and

The City Of Calgary, RESPONDENT

before:

***Board Chair P. COLGATE
Board Member R. DESCHAIINE
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: 201355096

LOCATION ADDRESS: 4705 102 AVENUE SE

FILE NUMBER: 68845

ASSESSMENT: \$11,310,000.00

This complaint was heard on 13th 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:

- D. Mewha, Altus Group Ltd. – Representing Alberta Assets (2006) Inc.

Appeared on behalf of the Respondent:

- B. Brocklebank – Representing the City of Calgary
- L. Cheng – 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] No jurisdictional or procedural matters were raised at the outset of the hearing, and the Board proceeded to hear the merits of the complaint.

Property Description:

[3] The subject parcel is an improved parcel located at 4705 102 Avenue SE in the East Shepard Industrial area. Currently situated on the property is a 91,884 warehouse of 2 or less units built in 2008. Total assessable area is 96,905 square feet, with 12% finish. Parcel size is 5.95 acres, with site coverage of 35.48%.

[4] The Land Use designation is I-G or General Industrial.

[5] The subject property is assessed as an industrial warehouse at a rate of \$116.76 per square foot.

96,905 sq. ft. @ \$116.76/sq. ft. = \$11,314,627.00 (Rounded to \$11,310,000.00).

Issues:

[6] Does the Income Approach to Valuation present a value more reflective of the market value than one calculated based upon a Sales Comparison Approach?

Complainant's Requested Value: \$9,920,000.00

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

[7] 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.

[8] 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.

[9] Prior Assessment Review Board 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.

Issue: Which valuation approach supports the market value of the subject property??

Complainant's Evidence:

[10] The Complainant submitted market evidence using a "Direct Sales Comparison Analysis" of five sales in the southeast quadrant of the City of Calgary. (C1, Pg. 11) The analysis of the five sales indicated per square foot rates of an average sale price of \$100.42 and a median sale price of \$106.42. The Complainant argued that to properly reflect the sale price per square foot it was necessary to determine the adjustment between the subject market rent and the comparable market rent. The subject market rent is the median net rents derived from leasing comparables. (C1, Pg. 13) By dividing the comparable market rent rate into the subject market rent rate, the adjustment factor is determined and applied to the sale price per square foot to determine the adjusted sale price per square foot.

Address	4100 Westwinds Dr. NE	10905 48 Street SE	7007 54 Street SE	930 64 Avenue NE	303 58 Avenue SE
Sale Price (\$)	25,825,000	18,300,000	20,100,000	12,600,000	8,750,000
Sale Price per Sq. Ft. (\$)	85.48	125.23	112.92	106.42	72.09
Building Type	IWS	IWM	IWM	IWM	IWM
Time Adjusted Sale Price (\$)	24,858,001	17,614,769	19,347,370	12,440,729	8,422,362
Net Rentable Area	302,135	146,135	178,009	118,402	121,375
Subject Market Rent (\$)	8.00	8.00	8.00	8.00	8.00
Comparable Market Rent (\$)	6.65	9.75	9.35	7.67	6.50
Adjustment Factor	1.203	0.821	0.856	1.043	1.231
Adjusted Sale Price per Sq. Ft. (\$)	102.83	102.75	96.61	111.00	88.73

Average Adjusted Sale Price per Square Foot = \$100.38

Median Adjusted Sale Price per Square Foot = \$102.75

IWS – Industrial Warehouse, 2 or less Units

IWM – Industrial Warehouse, 3 or more Units

[11] The resulting median of the adjusted sale prices per square foot was comparable to the rate per square foot established through an income approach to value. (C1, Pg. 13)

[12] The Complainant submitted an "Equity Information" table of four properties located in the southeast quadrant. (C1, Pg. 12) The analysis of the properties indicated a median assessment per square foot of \$98.00.

Address	Total NRA (sq. ft.)	Building Type	Land Area (acres)	Site Coverage (%)	Year of Construction	Percentage Finished (%)	2012 Assessment (\$)	Assessment per Square Foot (\$)
5616 80 Ave SE	90,592	IWS	6.34	29	1997	20	9,880,000	109
4800 27 St SE	82,600	IWS	5	32	1998	37	9,040,000	109
4447 46 Ave SE	100,212	IWS	4.39	52	2000	1.	8,720,000	87
4750 43 St SE	99,615	IWS	4.24	54	2000	5	8,560,000	86
							Median	98
4705 102 Ave SE	96,905	IWS	5.95	35	2007	12	11,310,000	117

[13] A table of "Leasing Comparables" was submitted by the Complainant to establish a median and average net rental rate for six (6) properties in the southeast quadrant of the City of Calgary. (C1, Pg. 13)

Address	Year of Construction	Building Type	Site Coverage (%)	Percentage Finished (%)	Lease State Date	Lease Expire Date	Area (sq. ft.)	Lease Rate (\$)
7007 54 St SE	2009	IWS	43	0	1/1/2009	12/21/2018	91,894	8.50
5441 52 Ave SE	1998	IWS	32	12	4/1/2009	3/31/2014	54,151	10.00
5600 22 St SE	2007	IWS	34	0	1/22/2010	2/28/2015	137,360	6.00
5550 55 St SE	1994	IWS	25	12	5/1/2010	4/30/2015	60,073	10.00
6060 86 Ave SE	1995	IWS	27	22	2/1/2011	1/31/2016	65,038	7.50
4750 43 St SE	2000	IWS	54	5	4/1/2011	3/31/2021	99,832	6.15
Median	1999		33	9			78,466	8.00
Average	2000		36	9			84,725	8.03
4705 102 Ave SE	2007	IWS	35	12			96,905	

[14] Based upon the median lease rate of \$8.00, a typical vacancy rate of 4% and a capitalization rate of 7.50% the Complainant requested the indicated value of \$9,923,072 or

\$102.40 per square foot.

$$96,905 \text{ sq. ft.} \times \$8.00 - 4.0\% \times 7.50\% = \$9,923,072.00 \text{ or } \$102.40/\text{sq.ft.}$$

[15] The Complainant noted the similarity in the rate per square foot as established through the analysis of Sales Comparison Approach at \$102.75 and the rate per square foot established through the Income Approach at \$102.40.

[16] The Complainant submitted an analysis of four sales to show the methodology for determining the capitalization rate of 7.5%. (C1A, Pg. 14-15)

Address	Sale Date	Sale Price (\$)	Year of Construction	Building Type	Assessable Building Area (sq. ft.)	Stabilized Rental Rate (\$)	Typical Vacancy (%)	Stabilized Capitalization Rate (%)
4100 Westwinds Dr NE	18-Aug-2009	25,825,000	2000	IWS	302,135	6.65	4	7.47
10905 48 St SE	27-April-2010	18,300,000	2008	IWM	146,135	10.24	4	7.85
7007 54 St SE	27-July-2009	20,100,000	2009	IWM	178,009	9.25	4	7.86
930 64 Ave NE	02-March-2011	12,600,000	1997	IWM	118,402	6.85	4	6.18
							Median	7.66
							Average	7.34

[17] The Complainant presented extensive documentation and decisions in support of the requested assessment of \$9,920,000.00

Respondent's Evidence:

[18] The Respondent submitted a "2012 Industrial Sales" chart for four sales, which indicated a median time adjusted sale price of \$106.89 per square foot. (R1, Pg. 15) The sales presented were the same sales used by the Complainant in its capitalization rate study.

Address	Sale Date	Sale Price (\$)	Parcel Size (sq. ft.)	Building Type	Assessable Building Area (sq. ft.)	Percentage Finished (%)	Site Coverage (%)	Time Adjusted Sale Price (\$)	Time Adjusted Sale Price per Square Foot
930 64 Ave NE	02-March-2011	12,600,000	6.40	IWM	118,402	9.0	42.54	12,440,729	105.07
7007 54 St SE	27-April-2010	18,300,000	9.6	IWM	88,111	0.0	42.57	19,347,370	108.70
7007 54 St SE	27-July-2009	20,100,000	9.6	IWM	91,876	0.0	42.57	19,347,370	108.70
7007 54	02-March-	12,600,000	9.6	IWM	117,987	0.0	42.57	19,347,370	108.70

St SE	2011								
10905 48 St SE	27-April-2010	18,300,000	7.56	IWM	142,672	39.0	43.31	17,614,769	123.46
4100 Westwinds Dr NE	18-Aug-2009	25,825,000	15.84	IWS	301,930	3.0	43.75	24,858,001	82.33
							Median	18,481,070	106.9
Subject Address			Parcel Size (sq. ft.)		Assessable Building Area (sq. ft.)	Percentage Finished (%)	Site Coverage	Assessment	Rate per Square Foot
4705 102 Ave SE			5.95	IWS	96,905	12.0	35.48	11,314,456	116.76

[19] The Respondent submitted a "2012 Industrial Equity" chart containing the four comparable properties presented by the Complainant in its equity presentation. (R1, Pg. 17) The Respondent noted corrections made to the Complainant's chart and increased the number of decimal places, but the result was essentially unchanged. The Respondent argued the comparables selected by the Complainant failed to take into consideration necessary adjustments for age, percentage of finish, site coverage and differences in land area.

Address	Building Type	Assessable Building Area (sq. ft.)	Land Area (acres)	Site Coverage (%)	Year of Construction	Percentage Finished (%)	2012 Assessment (\$)	Assessment per Square Foot (\$)
5616 80 Ave SE	IWS	90,592	6.34	28.99	1997	20	9,889,882	109.17
4800 27 St SE	IWS	82,600	5	31.99	1998	37	9,049,872	109.56
4447 46 Ave SE	IWS	99,832	4.39	52.17	2000	1.0	8,725,563	87.40
4750 43 St SE	IWS	99,615	4.24	53.92	2000	5	8,562,127	85.95
Median			4.70	42.08	1999	13	8,887,717	98.29
4705 102 Ave SE		96,905	5.95	35.48	2007	12	11,314,456	116.76

[20] A second "2012 Industrial Equity" chart, submitted by the Respondent, presented five (5) different comparable properties; whose median rate per square foot at \$117.80 showed support for the subject rate and that equity was maintained in the assessment process.

Address	Building Type	Assessable Building Area (sq. ft.)	Land Area (acres)	Site Coverage (%)	Year of Construction	Percentage Finished (%)	2012 Assessment (\$)	Assessment per Square Foot (\$)
5342 72 Ave SE	IWM	83,039	4.68	37.66	2005	17	9,781,750	117.80
10775 42 St SE	IWS	93,201	8.57	23.58	2005	29	12,099,694	129.82

5329 72 Ave SE	IWM	94,015	6.06	34.68	2001	39	10,750,764	114.35
10351 46 St SE	IWS	102,979	9.5	23.82	2009	9	13,636,170	132.42
7115 48 St SE	IWM	111,500	6.7	38.22	2007	10	12,866,321	115.57
Median		94,015	6.7	34.68	2005	17	12,099,694	117.80
4705 102 Ave SE		96,905	5.95	35.48	2007	12	11,314,456	116.76

Complainant's Rebuttal:

[21] The Complainant submitted evidence to support an adjustment based upon the difference in assessed value when the building type is changed from IWS to IWM. Two properties were introduced – 1832 115 Avenue NE and 11 Dufferin Place SE – which were reclassified from IWM to IWS. The resulting assessment changes showed shifts of 9% and 10%, respectively.

[22] In rebuttal to the Respondents equity chart, the Complainant argued the application of the 10% reduction on the IWM properties submitted by the Respondent would result in a median rate per square foot of \$105.00.

Address	Building Type	Assessable Building Area (sq. ft.)	Land Area (acres)	Site Coverage (%)	Year of Construction	Percentage Finished (%)	2012 Assessment (\$)	Assessment per Square Foot (\$)	10% Adjustment to Sq. Ft. Rate
5342 72 Ave SE	IWM	83,039	4.68	37.66	2005	17	9,781,750	117.80	105
10775 42 St SE	IWS	93,201	8.57	23.58	2005	29	12,099,694	129.82	108
5329 72 Ave SE	IWM	94,015	6.06	34.68	2001	39	10,750,764	114.35	103
10351 46 St SE	IWS	102,979	9.5	23.82	2009	9	13,636,170	132.42	111
7115 48 St SE	IWM	111,500	6.7	38.22	2007	10	12,866,321	115.57	104
Median		94,015	6.7	34.68	2005	17	12,099,694	117.80	105
4705 102 Ave SE		96,905	5.95	35.48	2007	12	11,314,456	116.76	

Findings of the Board:

[23] The Board, upon review of the evidence, found the Complainant had submitted a persuasive case for a reduction to the assessed value.

[24] The Complainant analysis based upon a Sales Comparison Approach derived a value of \$9,956,989.00, based upon a median adjusted sale price per square foot. The Board found the methodology was difficult to follow throughout its process and feel other areas of adjustment should have been considered in the analysis, such as age and percentage of finish. The Board

found agreement with the submission, but did not place significant weight on the result.

[25] The Board reviewed the Complainant's equity submission and found, while it provided a simple median value, it failed to take into consideration the differences in characteristics between the subject and comparable properties. Adjustment for even the difference in the age of the properties results in a higher assessment per square foot value. It was presented, by an Altus Group Ltd. representative in earlier hearing before this Board, that an adjustment of \$1.00 per square foot should be applied for each year of difference between the subject and the comparable property. If the Board applied this adjustment the effect would be an increase of the median value to approximately \$105.00.

[26] The Board, on review of the Complainant's leasing comparables, found support for the procedure to obtain a requested value, did not accept all the comparables as being sufficiently similar. The Board rejected the lease from 5600 22 Street SE as the property was significantly different in size from the remaining comparables. It appeared the rule of diminishing return may have applied in this comparable for the lease rate, at \$6.00 per square foot was appreciable lower. The average lease rate, after the Board revision, was 8.43 per square foot, which the Board rounded to \$8.50.

[27] Before the review of the Respondent's submission, the Board notes its dissatisfaction with the Respondent presenting the evidence. The Board was left with the impression the Respondent was not knowledgeable about the content of the file being submitted. This impression was reinforced by the repeated statements by the Respondent of "I'm not sure" or "I did not prepare the package".

[28] The Board found the only sales evidence submitted by the Respondent consisted of the sales used in the Complainant's capitalization rate analysis. The result presented indicated a median value for the time adjusted sale prices of \$106.89 per square foot, not the rate of \$116.76 as applied to the subject. No evidence was submitted to show adjustments to the comparables to bring them to a similar value as the subject.

[29] The Board found the Respondent's equity charts, first of the Complainant's equity comparables and the second of the Respondent's equity comparables, failed to convince the Board the basis for the assessment was correct. The Respondent's submission of the Complainant's chart only showed minor corrections to the original chart, but failed to provide any evidence to show the chart should not be accepted by the Board as valid equity comparables. The Respondent's equity comparables, in the second chart, were presented to show that an equitable assessment was produced between properties, when all characteristics were similar and the same assessment parameters were applied. The Board finds equity comparables only show consistent application of parameters, but fails to show support for the values of the parameters applied to a property.

[30] The Board found the Respondent submission failed to provide sufficient evidence to rebut the Complainant's values for vacancy, capitalization rate or lease rates. In fact, the Respondent submitted an analysis of the Complainant's lease rates, which supported the previously stated position on the Board. (R1, Pg. 35) The Respondent concurred on the lease rates per square foot of \$8.50 median value and \$8.43 average value.

[31] The Complainant's rebuttal based upon the 10% difference in assessment values for IWS and IWM building was flawed in that the Complainant applied the adjustment to all the Respondent's properties. When the Board reviewed the table it noted only three of the properties were designated IWM and should be adjusted. When correct the result would be a median value of \$106.02 and an average value of \$115.04:

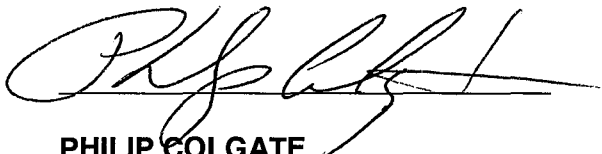
Address	Building Type	Assessable Building Area (sq. ft.)	Land Area (acres)	Site Coverage (%)	Year of Construction	Percentage Finished (%)	2012 Assessment (\$)	Assessment per Square Foot (\$)	10% Adjustment to Sq. Ft. Rate-Corrected
5342 72 Ave SE	IWM	83,039	4.68	37.66	2005	17	9,781,750	117.80	106.02
10775 42 St SE	IWS	93,201	8.57	23.58	2005	29	12,099,694	129.82	129.82
5329 72 Ave SE	IWM	94,015	6.06	34.68	2001	39	10,750,764	114.35	102.92
10351 46 St SE	IWS	102,979	9.5	23.82	2009	9	13,636,170	132.42	132.42
7115 48 St SE	IWM	111,500	6.7	38.22	2007	10	12,866,321	115.57	104.01
Median		94,015	6.7	34.68	2005	17	12,099,694	117.80	106.02
4705 102 Ave SE		96,905	5.95	35.48	2007	12	11,314,456	116.76	

[32] It was the decision of the Board the Complainant had present sufficient evidence to support the valuation of the subject property on an income approach, and the inputs applied are in the judgement of this Board, well supported – with the exception of the rental rate. The Board found the evidence was more supportive of an \$8.50 per square foot rental rate and has applied this in the decision. The Board found the Respondent had presented little evidence to discredit the application of an Income Approach or the acceptability of the inputs used in the calculation.

Board's Decision:

[33] Based upon the reasons given, the Board reduces the 2012 assessment to \$10,540,000.00

DATED AT THE CITY OF CALGARY THIS 30 DAY OF November 2012.



PHILIP COLGATE
Presiding Officer

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

NO.	ITEM
1. C1	Complainant Disclosure
2. C1A	Complainant Disclosure
3. C2	Complainant Rebuttal
4. 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	-Income Approach v. Cost/ Sales Approach	-Equity Comparables -Net Market Rent/Lease Rates -Capitalization Rate