

**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:

Trammell Crow Company (as represented by Altus Group Ltd.), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

***L. Wood, PRESIDING OFFICER
R. Deschaine, MEMBER
K. Farn, 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:	201181732
LOCATION ADDRESS:	58 AERO DR NE
HEARING NUMBER:	64295
ASSESSMENT:	\$13,560,000

This complaint was heard on 24 day of October, 2011 at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 10.

Appeared on behalf of the Complainant:

- *Ms. D. Chabot* *Agent, Altus Group Ltd.*

Appeared on behalf of the Respondent:

- *Mr. K. Buckry* *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 a multi tenant industrial warehouse located at the Calgary International Airport. It is comprised of 138,812 sq. ft., built in 2008, and is situated on 7.5 acres of land. It has a site coverage ratio of 42.5%. The location of the warehouse has "airside" access (has access to the airplanes).

The subject property was assessed based on the Income Approach to value.

Issues:

1. The subject property suffers from chronic vacancy which warrants a 25% reduction to the vacancy rate.

Complainant's Requested Value: \$10,170,000

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

1. The subject property suffers from chronic vacancy which warrants a 25% reduction to the vacancy rate.

The Complainant submitted that the subject property has suffered from chronic vacancy for over four years and a 25% reduction to its vacancy rate is warranted. She argued the 9.25% vacancy applied by the City of Calgary does not address the abnormal high vacancy for the subject property which is currently 62% vacant. She submitted the Rent Roll dated January 31, 2011 which indicated that Bell Helicopter Textron Canada currently leases 38,351 sq. ft. for \$12.32 psf. This lease commenced in June 2008 at \$9.65 psf for a 10 year term. The Calgary Airport Authority ("CAA") leases 12,500 sq. ft. on a month to month basis for \$3.97 psf. That lease commenced in May 2010 for a one year term. The Complainant also noted the CAA lease is substantially lower than the current assessed rate of \$8.25 psf. This leaves two bays of 38,399 sq. ft. and 50,750 sq. ft. still vacant.

The Complainant submitted the Assessment Requests for Information ("ARFIs") for the subject property from 2008 – 2010 (Exhibit C1 pages 26 – 28). The ARFIs reflect Bell Helicopter was the sole tenant in the building at the time and 101,649 sq. ft. was vacant which results in a 72.6% vacancy rate. The Complainant submitted CARB 2158-2010-P in which the Board applied a 25% vacancy to the subject to reflect its chronic vacancy.

The Respondent submitted that the subject property is a newly constructed airside warehouse. With the exception of one industrial warehouse that was 100% vacant, the City did not apply further reductions to the 9.25% vacancy rate for industrial warehouses (Exhibit R1 page 27). He submitted the ARFIs reflect the building is getting tenants but it is simply taking longer to lease up. He submitted CARB 1446-2011-P which differentiated between a property suffering from chronic vacancy as a result of the property having an inherent deficiency in the building, its location or some adverse influence which is not likely to be corrected in the foreseeable future versus a building is 100% complete and ready for occupancy but is taking longer to lease up due to economic conditions (Exhibit R1 page 19). He argued the latter applies to the subject property.

Although the Respondent was unable to provide a formal definition of chronic vacancy, he indicated an accepted definition is a building having a high vacancy rate over the course of 3 years. He noted the subject property does not fit that definition as this building was completed in 2008.

The Board noted the discrepancy in the Assessment Summaries indicating both the year 2007 and 2008 as the year in which the building was complete. There was no evidence presented to this Board as to when exactly the building was completed. Notwithstanding, the Board finds the building was available for lease in 2008, as indicated by Bell Helicopter lease in June 2008.

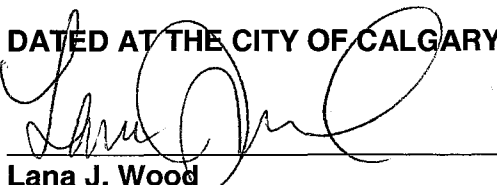
In this instance, the Board finds the subject property has had abnormal vacancy since 2008 as indicated in the ARFIs despite the owners actively trying to lease this warehouse, with limited success. As such, the Board finds a vacancy rate of 25% is warranted. The Board noted in CARB 1446-2011-P that panel chose to address the high vacancy rate in that property by reducing the assessed rental rate for the undeveloped or vacant space.

The Board placed little weight on the Respondent's argument that one industrial warehouse property which was 100% vacant warrants a downward adjustment to its overall assessed rate but one at 62% vacant does not warrant an adjustment. The Board finds there was no rationale in support of that argument.

Board's Decision:

The decision of the Board is to revise the 2011 assessment for the subject property from \$13,560,000 to \$10,170,000.

DATED AT THE CITY OF CALGARY THIS 30 DAY OF November 2011.


Lana J. Wood
Presiding Officer

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

EXHIBIT NO.	ITEM
1. C1	Complainant's Submission
2. 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.*

FOR ADMINISTRATIVE USE

SUBJECT	PROPERTY TYPE	PROPERTY SUB - TYPE	ISSUE	SUB - ISSUE
CARB	Warehouse	Warehouse Multi Tenant	Income Approach	Expenses (Maintenance/ Non Recoverables/ Management)