

**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:**

***Westjet (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:

<b>ROLL NUMBER:</b>	<b>902019009</b>
<b>LOCATION ADDRESS:</b>	<b>21 AERIAL PL NE</b>
<b>HEARING NUMBER:</b>	<b>64370</b>
<b>ASSESSMENT:</b>	<b>\$26,640,000</b>

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:**

The parties acknowledged that the issue in regards to the assessed rental rate was already addressed in the Air Canada complaint **file #64370**. The parties asked that their evidence and argument be cross referenced in regards to this particular issue. The Board agreed to do so. Notwithstanding, the Board has briefly set out the parties' respective positions as well as the Board's findings on that particular issue for ease of reference.

**Property Description:**

The subject property is an owner occupied aviation hangar. The gross building size for the hangar is 141,199 sq. ft. The building was constructed in 2000. The property also includes a suburban office building. It has a gross building area of 47,816 sq. ft. The buildings are situated on 21.27 acres of land. The site coverage ratio is 13.4%.

The buildings have a combined assessed value of \$22,540,039. The assessment for the property also includes a land adjustment of 7.66 acres x \$535,000/acre or \$4,100,313. This results in a total assessed value of \$26,640,352 for the subject property.

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

**Issues:**

1. The assessed rental rate should be reduced from \$11.00 psf to \$10.00 psf.
2. The capitalization rate should be increased from 8.0% to 8.5%.
3. The land adjustment was incorrectly calculated.

**Complainant's Requested Value:** \$21,440,000

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

1. The assessed rental rate should be reduced from \$11.00 psf to \$10.00 psf.

The Complainant submitted the Westjet hangar and suburban office should be assessed at a blended rate of \$10.00 psf. It should be noted that there was no breakdown of areas within the Westjet hangar, unlike the Air Canada complaint. The Complainant based her request of \$10.00 psf on a lease between Air Canada and Jazz (its existing tenant). The Complainant acknowledged a relationship between Air Canada and Jazz; however, she argued the \$10.00

psf rate that they recently renegotiated for both the hangar and office space would reflect market rates. The Complainant argued that this is the only lease available for this type of space and even though it is non-arm's length, it provides the best indication of value.

The Respondent derived the assessed rate of \$11.00 psf based on the four arm's length leases of larger hangars at the airport which ranged in size between 72,360 sq. ft. – 148,195 sq. ft. and were leased for \$11.08 - \$21.00 psf. The Respondent applied the minimum rental rate of \$11.08 psf to the subject property and all of the hangars at the airport as shown on his Hangar Equity Chart. The Respondent argued that little weight should be placed on the lease between Jazz and Air Canada because it is a non-arm's length lease.

As indicated in that decision, the Board is not discounting the lease between Air Canada and Jazz in its entirety but in view of the relationship between the parties, the Board is reluctant to give it significant weight to reduce the assessment for the subject property. The Board notes there is a variance in the square footage of the hangars used in the Respondent's lease analysis in comparison to the subject property. The Board questions their comparability to the subject especially if there are 25 (hangar) leases available which could have been used in that analysis. Nonetheless, the Board finds there is insufficient evidence to warrant a change in the assessed rental rate for the subject property.

2. The capitalization rate should be increased from 8.0% to 8.5%.

The Complainant submitted the subject property has been assessed with a lower capitalization rate (8.0%) than Air Canada (8.5%). She argued that the Municipal Government Board ("MGB") has always treated these two hangars in a similar fashion (Exhibit C1 page 20). She argued the MGB found the two hangars are similar in terms of size, clear wall height, office presence, year of construction, location, land size etc. in its business decision dated March 2, 2010, yet there is a difference in capitalization rate between the two hangars this year.

The Respondent submitted the Westjet hangar (built in 2000) is newer than the Air Canada hangar (built in 1987). He argued that the Westjet hangar was built with the highest standards of recent technologies (e.g. HVAC, climate controls, doors etc.) which are superior to the older Air Canada hanger (Exhibit R1 page 15). He submitted a Hangar Equity Chart in support of the 8.0% capitalization rate that he applied to 10 newer hangars (built in 1996 – 2008) as opposed to the 8.5% he applied to the 4 older hangars (built in 1957 – 1987) (Exhibit R1 page 25).

The Board finds that the Westjet and Air Canada hangars share a lot of similarities such as location, size, wall height etc.; however, the Board does not find they are similar in age. The Westjet hangar is substantially newer than the Air Canada hangar. The Board finds it reasonable to have a slight variance in the capitalization rates between the two hangars to account for the differences in age and the risk associated with older buildings. As such, the Board finds there was insufficient evidence to warrant an increase in the subject property's assessed capitalization rate.

3. The land adjustment was incorrectly calculated.

The Complainant submitted there is an error in the excess land adjustment. She noted there was no excess land applied to the subject property last year. She indicated that Westjet added 4.14 acres to its site for parking which increased the total land area from 17.13 acres to 21.27 acres since last year; yet the Respondent applied a 7.66 acre excess land adjustment. She

argued the maximum amount of excess land should be 4.14 acres.

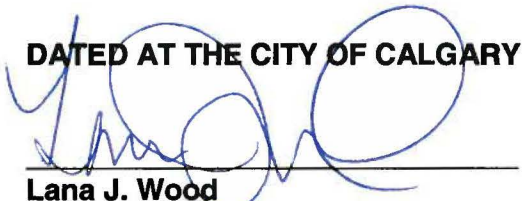
The Respondent submitted the parcel size had increased since last year and the City has to account for it. He argued that a typical 30% site coverage applied to industrial warehouses would not work because of the different aspects and usage of the subject property. He indicated that he determined the typical site coverage of 21% in consultation with the owners of the aviation hangars. Based on the 21% site coverage, he calculated a 7.66 acre excess land adjustment for the subject property. He noted the Complainant did not dispute the assessed rate of \$535,000/acre.

The Board finds the Respondent's argument for the 21% threshold for site coverage was unsupported and therefore placed little weight on it. Given the only change to the subject property since last year's assessment was the additional 4.14 acres of land, the Board finds it reasonable to apply the (undisputed) excess land value of \$535,000/acre to the 4.14 acres.

**Board's Decision:**

The decision of the Board is to revise the 2011 assessment for the subject property from \$26,640,000 to \$24,750,000 (truncated).

**DATED AT THE CITY OF CALGARY THIS 2nd DAY OF DECEMBER 2011.**

  
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**Lana J. Wood**  
**Presiding Officer**

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

<b>EXHIBIT NO.</b>	<b>ITEM</b>
1. C1	Complainant's Submission
2. C2	Complainant's Rebuttal
3. 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	Other Property Types	Specialty Property	Income Approach	Net Market Rent/ Lease Rates; Capitalization Rate; Land Value