

**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:

Air Canada (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:	902003714
LOCATION ADDRESS:	8050 22 ST NE
HEARING NUMBER:	64382
ASSESSMENT:	\$24,360,000

Appeared on behalf of the Complainant:

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

• **Mr. K. Buckry** *Assessor, City of Calgary*

There were no procedural or jurisdictional matters raised by the parties during the hearing.

The subject property is an owner occupied aviation hangar located at the Calgary International Airport. There are two buildings on site: the hangar, which has a gross building area of 207,119 sq. ft., constructed in 1987 and a single tenant industrial warehouse, which has a gross building area of 12,318 sq. ft., constructed in 2002. The buildings are situated on 16.68 acres of land and have a site coverage ratio of 21.7%.

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

1. The areas within the hangar should have various assessed rental rates as opposed to a blended assessed rental rate.

Complainant's Requested Value: \$20,020,000

1. The areas within the hangar should have various assessed rental rates as opposed to a blended assessed rental rate.

The Complainant submitted the hangar is comprised of several areas (e.g. hangar, office, shop, mezzanine, etc.) which would warrant different assessed rates as opposed to a blended rate of \$11.00 psf for the total area (Exhibit C1 page 13). The Complainant submitted a chart indicating the current assessment for the subject property and a chart showing the various areas and the proposed assessed rates for the subject property:

[illegible]

Proposed Assessment:

	Rentable Area (SF)	Rate (SF)	PGI	Vacancy & NR (%)	EGI	Shortfall/Op Costs	Cap Rate (%)	NOI	Assessment
Hangar	64,079	\$10.00	\$640,790	10.75	\$571,905	\$17,782	8.50	\$554,123	\$6,519,096
Office	59,278	\$10.00	\$592,780	10.75	\$529,056	\$16,450	8.50	\$512,607	\$6,030,665
Shop	73,695	\$ 8.00	\$589,560	10.75	\$526,182	\$20,450	8.50	\$505,732	\$5,949,788
Mezz	14,178	\$ 3.00	\$ 42,534	10.75	\$ 37,962	\$ 3,934	8.50	\$ 34,027	\$ 400,320
Butler	12,318	\$ 9.00	\$110,862	10.75	\$ 98,944	\$ 3,418	8.50	\$ 95,526	\$1,123,836
Total									\$20,023,705

The Complainant submitted the assessed rates within the hangar should reflect the current lease rates between Air Canada and Jazz (an existing tenant within the hangar). She submitted an email outlining the base rents agreed to by the parties (Exhibit C1 pages 16 & 17). The base rents for the hangar space (32,417 sq. ft.) is \$10.50 psf; the shop space (35,511 sq. ft.) is \$8.75 psf; the office space (11,017 sq. ft.) is \$10.00 psf; and the mezzanine area (14,178 sq. ft) is \$0 psf. There is also a land rent of \$1.43 psf, which she argued, should be included in the operating costs. The Complainant indicated that she applied a \$3.00 psf rate to the mezzanine space which is typical for industrial buildings.

The Complainant argued that although there is a relationship between the two parties, the lease (which applies for the period of June 1, 2011 – December 31, 2014) has been recently renegotiated and would reflect market rents. She submitted there are only two buildings like this at the airport: Air Canada and Westjet. 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. She submitted a business decision (LARB 0166-2011-B) and argued similar to car dealerships, which are set apart from other businesses and are in essence in "their own universe", the same could be said about these hangars (Exhibit C1 pages 18 – 24).

The Respondent submitted the assessed rate of \$11.00 psf was based on four arm's length leases of larger hangars at the airport (Exhibit R1 page 18). The hangars, which were built in 1969 – 1981, ranged in size between 72,360 sq. ft. – 148,195 sq. ft. The rental rates were \$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 (Exhibit R1 page 19). 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. He also argued the land rent of \$1.43 psf, must be included in the property assessment to reflect the full fee simple estate. He submitted the business decision for the subject property (LARB 0352-2011-B) in which that panel found the lease between Jazz and Air Canada was non-arm's length and the land rent must be included as part of the base rent to arrive at the overall Net Annual Rental Value (NARV).

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 subject property's

assessment.

Board's Decision:

The decision of the Board is to confirm the 2011 assessment for the subject property at \$24,360,000.

DATED AT THE CITY OF CALGARY THIS 2nd DAY OF DECEMBER 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	Other Property Types	Specialty Property	Income Approach	Net Market Rent/ Lease Rates