



## **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:

***2278372 Ontario Inc. and 2281140 Ontario Inc. (as represented by Colliers International Realty Advisors Inc.), COMPLAINANT***

and

***The City Of Calgary, RESPONDENT***

before:

***Board Chair; J. Zezulka  
Board Member; D. Julien  
Board Member; B. Kodak***

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 2013 Assessment Roll as follows:

**ROLL NUMBER: 094220407**

**LOCATION ADDRESS: 4792 - 50 Avenue SE**

**FILE NUMBER: 70246**

**ASSESSMENT: \$5,510,000**

This complaint was heard on 1 day of August, 2013 at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 11.

Appeared on behalf of the Complainant:

- *B. Peacock*

Appeared on behalf of the Respondent:

- *L. Cheng*
- *E. Wu*

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

- (1) There were no procedural or jurisdictional matters raised by either party.

**Property Description:**

- (2) The property consists of a 39,896 s.f. multi-tenant warehouse located in the Eastfield industrial area in southeast Calgary. The building was built in 2001. The site area is 2.01 acres. Site coverage is 45.53 per cent.

**Issues / Appeal Objectives**

- (3) The subject is currently being assessed using the direct comparison approach. The single issue brought forward by the Complainant is market value, stating that the current assessment does not properly reflect the market value of the site. Currently, the property is assessed using the sales comparison approach, at \$138.21 per s.f. of building.
- (4) The Complainant contends that the income capitalization method is a more appropriate method of valuation for the subject.

**Complainant's Requested Value:**

- (5) \$4,500,000, amended to \$5,150,000

**Board's Decision:**

- (6) The assessment is reduced to \$5,210,000..

**Legislative Authority, Requirements and Considerations:**

- (7) This Board derives its authority from section 460.1(2) of the Municipal Government Act,

being Chapter M-26 of the revised statutes of Alberta.

(8) Section 2 of Alberta Regulation 220/2004, being the Matters Relating to Assessment and Taxation Regulation (MRAC), states as follows;

*"An assessment of property based on market value*

*(a) must be prepared using mass appraisal*

*(b) must be an estimate of the value of the fee simple estate in the property, and*

*(c) must reflect typical market conditions for properties similar to that property"*

(9) Section 467(3) of the Municipal Government Act states;

*"An assessment review board must not alter any assessment that is fair and equitable, taking into consideration*

*(c) the assessments of similar property or businesses in the same municipality."*

(10) For purposes of this Complaint, there are no extraneous requirements or factors that require consideration.

### **Position/Evidence of the Parties**

#### **Evidence**

(11) The Complainant submitted income calculations that incorporated rental income of \$8.50 per s.f., a 5.0 per cent vacancy rate, 2.0 per cent allowance for unrecovered operating costs and non-recoverables, and a capitalization rate of 7.00 per cent. This calculation produced a capitalized result of \$4,500,000.

(12) During the course of the hearing, the Complainant amended some of the inputs in the capitalization exercise. The typical rent was increased to \$9.50 per s.f., and the vacancy allowance was decreased to 3.00 per cent. The amendments were made in response to the Respondent's submission.

(13) Support for the 7.0 per cent capitalization rate was provided with three transactions of industrial property including one post facto sale. The three sales reflected rates of 6.17 to 7.41 per cent, with a median of 7.01 per cent.

(14) Aside from some income analyses, the purpose of which eludes this board, the Respondent did not dispute the capitalization rate adopted by the Complainant.

(15) The Respondent did however, submit sufficient rental data to prompt the Complainant to amend the rent request to \$9.50 per s.f., rather than the initial \$8.50 per s.f.

(16) Similarly, the Respondent's evidence was sufficient to prompt the Complainant to amend the requested vacancy allowance from five per cent to three per cent.

(17) In support of his original assessment, the Respondent produced five comparable property transactions that reflect selling prices of \$159.86 to \$201.15 per s.f. The average is \$180.18 per s.f., and the median is \$178.70. All of these have site coverages significantly lower than the subject.

(18) In addition, the Respondent submitted five equity comparables. These reflected assessments ranging from \$135.06 to \$148.80 per s.f. The average and median are \$142.56 and \$142.99 per s.f. All of these properties are newer than the subject.

**Board's Reasons for Decision:**

(19) Insofar as the premise that income capitalization is the preferred method of valuation, this Board, will not identify a preference as to which valuation approach should be used to determine the assessed value of any property. It is the assessed value that this Board is authorized to adjudicate. If any party can satisfy the Board, to the extent required by law, that in application of any applied approach to value errors have been made that have resulted in an incorrect assessed value, then it is those errors, supported by market based evidence, that should be given consideration. That is not to say that an alternative method of valuation cannot be applied. However, any alternative method must be as equally well founded in market evidence as the method already being employed.

(20) No rationale was offered for the apparent quantum leap between the values reflected by the Respondent's sales comparables, and the subject assessment, on a per s.f. basis.

(21) Similarly, the Respondent's equity comparables show little commonality with the subject in terms of location, or building age. Moreover, the subject's per unit assessment lies outside of the range indicated by the comparables.

(22) In the opinion of this Board, the Respondent's market evidence did not support the existing assessment.

(23) The Complainant's revised request is based partially on market evidence submitted by the Respondent. It is this result that this Board finds to be the most compelling. The revised calculations produce a result of \$5,214,600, truncated to \$5,210,000.

DATED AT THE CITY OF CALGARY THIS 23<sup>rd</sup> DAY OF September 2013.

  
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Jerry Zezulka

Presiding Officer

**DOCUMENTS PRESENTED AT THE HEARING  
AND CONSIDERED BY THE BOARD:**

Decision No. CARB 70246P/2013			Roll No. 094220407	
<u>Subject</u>	<u>Type</u>	<u>Issue</u>	<u>Detail</u>	<u>Issue</u>
CARB	Industrial	Market Value	N/A	Valuation method