



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:

Western Steel Limited, (as represented by Cushman and Wakefield Ltd.),

COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

**T. B. Hudson, PRESIDING OFFICER
D Julien, BOARD MEMBER
J. Lam, BOARD 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 2013 Assessment Roll as follows:

ROLL NUMBER: 075103150

LOCATION ADDRESS: 2601 52 ST SE

FILE NUMBER: 70281

ASSESSMENT: \$17,640,000

This complaint was heard on the 15th day of August, 2013 at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 9.

Appeared on behalf of the Complainant:

- *D. Boyd*
- *J.D. Maslen AACI, MRICS, Witness*

Appeared on behalf of the Respondent:

- *R. Luchak*

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

The Respondent indicated that they were unaware that the author of the Appraisal report included in the disclosure of the Complainant, would be present as a witness at the hearing. If this had been disclosed, the Respondent advised he may have been better prepared with questions for the witness during cross-examination.

However, the Respondent indicated that he was prepared to proceed, but wanted his concern noted for the record.

Property Description:

[1] The subject is a 41.45 acre industrial property located at 2601 52 ST SE in the Forest Lawn Industrial District of Calgary. The parcel has a mixed land use designation, with 34.4 acres zoned I-G, and 7.1 acres zoned IE. The assessment was calculated based on land only at the base rate of \$585,000 per acre to a value of \$14,449,500 for the I-G acreage, and \$3,195,000 for IE acreage. Total assessment for the property is therefore \$17,640,000(rounded).

Issues:

Is the current assessment in excess of market value?

Complainant's Requested Value: \$6,000,000.

Board Decision on the Assessment: The assessment is reduced to \$13,230,000(rounded).

Legislative Authority, Requirements and Considerations:

[2] The Composite Assessment Review Board(CARB), derives its authority from Part 11 of the Municipal Government Act (MGA) RSA 2000:

Section 460.1(2): Subject to section 460(11), a composite assessment review board has jurisdiction to hear complaints about any matter referred to in section 460(5) that is shown on an assessment notice for property other than property described in subsection (1)(a).

[3] For purposes of the hearing, the CARB will consider MGA Section 293(1):

In preparing the assessment, the assessor must, in a fair and equitable manner, apply the valuation and other standards set out in the regulations, and follow the procedures set out in the regulations.

[4] The Matters Relating to Assessment and Taxation Regulation(MRAT) is the regulation referred to in MGA section 293(1)(b). The CARB consideration will be guided by MRAT Part 1 Standards of Assessment, Mass appraisal section 2:

*An assessment of property based on market value:
must be prepared using mass appraisal,
must be an estimate of the value of the fee simple estate in the property, and
must reflect typical market conditions for properties similar to that property.*

Position of the Parties on the Market Value Issue:**Complainant's Position**

[5] In support of their request for a reduced assessment, the Complainant submitted a Property Appraisal report prepared in November of 2011, by John D. Maslen AACI, MRICS of the Altus Group Limited, (Exhibit C1, Tab 4). The Appraisal estimated the market value of the property "for disposition purposes" at \$6,000,000, (\$145,000 per acre).

[6] The Appraisal notes that the subject property is a former heavy industrial site that has been quote, "inactive as an operating location for many years", end quote. It goes on to advise that quote, "at the effective date of this report, site reclamation and environmental cleanup was reported to be essentially complete", end quote. (Exhibit C1 Tab 4, page 1).

[7] The Appraisal goes on to advise that quote, "For valuation purposes, the subject is appraised as vacant and unimproved land with no regard to the existing building ,(i. e. small office used to supervise ongoing site work). Land value as reported in this Appraisal is net of onsite and offsite servicing obligations that will be incurred prior to subdivision and productive use of the land", end quote. (Exhibit C1 Tab 4, page 2).

[8] With respect to services the Appraisal notes that quote, "The land is appraised 'as is' with services available at the property line. Development of the property will require onsite services and payment of various acreage assessment charges, offsite levies, and boundary charges. These costs are now estimated at approximately \$280,000 per net acre." end quote. (Exhibit C1 Tab 4, page 5).

[9] There is also a letter from the City of Calgary dated December 12, 2011 detailing many of development charges referred to in the Appraisal, (Exhibit C1 Tab 3).

[10] The Appraisal report goes on to detail two approaches to valuation of the subject property. The first uses the sales comparison approach, based on the sale prices of four similar properties, and the list price of a fifth. (Exhibit C1 Tab 4 pages 10-12). The four land sales ranged in size from 56 to 160 acres, and sale price from \$117,000 to \$155,000 per acre. The fifth property was 37 acres in size with a list price of \$180,000 per acre.

[11] The sales prices were adjusted for time, parcel size, parcel shape, location, planning status and land use, to arrive at the value estimate of \$145,000 per acre, (Exhibit C1 Tab 4 pages 13-14).

[12] The second approach is a quote "*forecast development model, indicating an estimate of net revenue for each year. The net revenue stream is then discounted to arrive at a net present value (i.e. NPV) for the land*", end quote, (Exhibit C1 Tab 4 page 20). The model produced a value estimate of \$146,000 per acre, (Exhibit C1, Tab 4, page 21).

[13] In rebuttal, the Complainant suggested that the assessment of the subject property should have been adjusted for "partial services", "shape" and "environmental conditions", in order to bring the assessment in line with the estimate of market value in the Appraisal report, (Exhibit C1, Tab 8).

[14] The Complainant also submitted a July 2012 agreement of purchase and sale of the subject, for \$6,650,000 which was accepted by the vendor, but abandoned by the purchaser, (Exhibit C1 Tab 5).

[15] In addition, the Complainant submitted a February 2013 offer to purchase the subject for \$4,500,000, which was refused by the vendor, (Exhibit C1 Tab 6).

[16] The Complainant further advised that the "asking price" for the subject is now \$7,500,000, (Exhibit C1, Tab 8), but the listing suggests that prospective purchasers "call for pricing", (Exhibit C1 Tab 9).

Respondent's Position

[17] The Respondent argued that only one of the Complainant's sales is comparable to the subject property. The 56.1 acre land parcel located at 6335 57 ST SE, that sold in June 2011 for \$8,750,000.

[18] The Respondent noted that the assessment of this comparable reflects market value (i.e. the time adjusted selling price), when the formula developed by the Assessment business unit to recognize economies of scale is applied, (Exhibit R1, page 27).

[19] The Respondent also noted that the most significant difference between the assessments of the comparable and the subject are the negative influence adjustments for "partial services" (i.e. 25%) and "limited access" (i.e. 25%) applied to the comparable. The adjustments reduced the assessment of the comparable from \$19,904,625 to \$9,952,312. The time adjusted sale price was \$9,506,000.

[20] The Respondent argued that the subject property has no negative influences and the assessment should therefore be confirmed.

[21] The Respondent also argued that the "forecast development model" approach to valuation should be given no consideration, because it is based on future development and subdivision costs. The assessment must reflect the fee simple estate value, and be based on the condition of the parcel on December 31, 2012 and valuation on July 1, 2012.

Board Reasons for Decision:

[22] The Appraisal of the subject property presents compelling evidence that the current assessment exceeds market value. The definition of a serviced parcel of industrial land is central to the market value question. The Respondent advised that the policy of the City is to consider a parcel fully serviced when water, sewer and storm connections are available adjacent to the parcel. The Complainant argues that the market place does not agree.

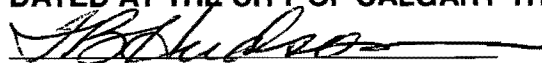
[23] The Board considered the concerns of the Complainant with regard to the impact on market value of the estimated \$280,000 per acre cost in both on site and off site service charges identified in 2011. The Board concurs with the Complainant that any potential purchaser would take these costs into consideration. At 41.45 acres the estimated cost to fully service the subject would have been approximately \$11,600,000, in 2011. When the \$6,000,000 appraised land value estimate is added, the total value estimate is \$17,600,000; very close to the current assessment of \$17,640,000.

[24] Given the Appraisal report and the failed attempts to market the parcel at far below the assessed value, the Board accepts that the subject property does not represent a fully serviced parcel, even though some services exist. The Board believes that the "partially serviced" negative influence should be recognized in the assessment of the subject property through a 25% reduction to \$13,230,000.

[25] There may be negative "environmental conditions" on the property. However there was no evidence submitted on this issue, and the Complainant indicated these negative conditions have been largely mitigated.

[26] The property is triangular in shape, but it is also very large, and the Board is not convinced shape would inhibit development.

DATED AT THE CITY OF CALGARY THIS 23rd DAY OF September 2013.



T. B. Hudson

Presiding Officer

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

NO.	ITEM
1. C1	Complainant Disclosure
2. C1 Tab 8	Complainant Rebuttal
3. 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 MGB Administrative Use Only

<i>Decision No. 70281P-2013</i>			<i>Roll No.075103150</i>	
<u><i>Subject</i></u>	<u><i>Type</i></u>	<u><i>Sub-Type</i></u>	<u><i>Issue</i></u>	<u><i>Sub-Issue</i></u>
CARB	Industrial Land		Market Value	Negative Influences