



## **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:

***Calmont Leasing Ltd. (as represented by MNP LLP), COMPLAINANT***

and

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

before:

***W. Kipp, PRESIDING OFFICER***

***D. Steele, BOARD MEMBER***

***A. Wong, 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:

<b>ROLL NUMBER:</b>	<b>096023494</b>
<b>LOCATION ADDRESS:</b>	<b>5475 – 53 Street SE, Calgary AB</b>
<b>FILE NUMBER:</b>	<b>70586</b>
<b>ASSESSMENT:</b>	<b>\$3,780,000</b>

This complaint was heard on the 24<sup>th</sup> day of July, 2013 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:

- *J. Langelaar & Y. Lau*

Appeared on behalf of the Respondent:

- *T. Nguyen*

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

- [1] There were no preliminary jurisdictional or procedural matters to be decided.

**Property Description:**

[2] The property that is the subject of this assessment complaint is a single occupant light industrial property located in the Starfield industrial area of southeast Calgary. The one storey industrial building, built in 1997, contains an area of 12,025 square feet. There is finish in 36 percent of the building area. It occupies a 3.44 acre land parcel. The building site coverage ratio is 8.0 percent.

[3] The 2013 assessment is based on the market value of the property as at July 1, 2012 and the property characteristics and condition as at December 31, 2012. Using a sales comparison approach, the assessment rate applied to the total assessable floor area of the building is \$314.46 per square foot. This includes a positive addition for 2.52 acres of "extra land." For industrial properties, a 30 percent site coverage ratio is considered to be typical. For any property that differs from that 30 percent norm, an adjustment is made. Sometimes, the extra land is designated by the assessor as "excess land" that is land that is excess to the needs of the building(s) but that cannot be subdivided and sold separately. Other times, the extra land is classified as "additional land" that might be able to be subdivided and sold separately. These subjective classifications are not based on the legality of subdivisions in the city. They are based on observations of maps and aerial photographs by the assessor. In the subject instance, 2.52 acres of the 3.44 acre site were considered to be additional land. For additional land, the value of that land is added separately to the building assessment. By sales comparison, the building plus a portion of the land were valued at \$191.87 per square foot. Once the additional land value of \$1,474,091 is added, the overall rate increases to \$314.46 per square foot of building area. The assessor assumed that at 30 percent site coverage, the building would require only 0.92 acre in the southeast corner of the lot. The remainder (additional land) of 2.52 acres would be an "L" shaped parcel around two sides of the building and its site.

**Issues:**

[4] In the Assessment Review Board Complaint form, filed March 1, 2013, Section 4 – Complaint Information had a check mark in the box for #3 “Assessment amount”.

[5] In Section 5 – Reason(s) for Complaint, the Complainant stated the assessment is incorrect and there were a number of statements in support of that contention.

[6] At the hearing, the Complainant pursued the following issues:

a. Is the assessment correct at \$314.46 per square foot of building area or should it be reduced to \$225.32 per square foot?

b. Is the Respondent's time adjustment representative of market changes up to the July 1, 2012 valuation date?

**Complainant's Requested Value: \$2,700,000**

**Board's Decision:**

[7] The assessment is reduced to \$3,050,000.

**Position of the Parties****Complainant's Position:**

[8] In rebuttal, the Complainant made adjustments for market changes over time (time adjustment). The Respondent had developed a time adjustment trend line that segregated adjustments over four trend periods of time from July 2009 to July 2012. The fourth time period had a 0.0 percent adjustment in the Respondent's analysis. The Complainant observed a downward slope to the trend line for this period which it measured at – 0.5 percent per month. The Complainant accepted and adopted the Respondent's time adjustment rates for the other three time periods.

[9] The Complainant provided sales data for four similar properties that had been sold between May 2010 and November 2011. All of the properties were located in Starfield, all had similar low site coverage ratios and all had similar building sizes. Initially, the sales produced a median unit price of \$194 per square foot of building area. After application of the Complainant's time adjustment, the rate increased to \$225.32 per square foot.

[10] One of the Complainant's sales comparables was a Fountain Tire outlet just two lots south of the subject. Like the subject, it had 52 Street SE exposure but not access. The 11,880 square foot building was constructed in 1998. Site coverage on the 3.48 acre lot was 7.8 percent. The property sold in November 2011 at a price of \$168.35 per square foot of building area. The Respondent stated that this property was considered to be a retail property and it was assessed using an income approach with no adjustment being made for low site coverage. The Complainant argued that this property was no more commercial than the subject and it was the best sale comparable available.

**Respondent's Position:**

[11] The time adjustment analysis undertaken by the Respondent covered the time period from July 2009 to June 2012. A trend line was developed from plotting the results from a multiple regression analysis of Sale to Assessment ratios based on the 2012 assessments of properties that been sold during the time period. The graphical presentation showed:

From July 2009 to May 2010 (11 months)	- 0.7912 percent per month
From June 2010 to March 2011 (10 months)	0.0 percent per month
From April 2011 to November 2011 (8 months)	+1.5669 percent per month
From December 2011 to June 2012 (7 months)	0.0 percent per month

Only these results of the analysis were provided in evidence. Details were not provided.

[12] The Respondent rejected one of the Complainant's sales on the ground that it is assessed as a retail property (see paragraph 10, above). Respondent's time adjustment was applied to the remaining three sales. The Respondent added three sales of industrial properties located in South Foothills and Dufferin industrial parks and then made adjustments for additional land. The combined sales, it was argued, support the subject assessment.

**Board's Reasons for Decision:**

[13] The Respondent explained that the time adjustment was calculated by multiple regression analysis of sales to assessment ratios. While the outcome was presented to the Board, the Respondent would not reveal the complete analysis. The Board does not understand the significance of sales to assessment ratios in determining a time adjustment. In most other situations, it is actual sale prices of properties that form the basis of a time change study. Nor does the Board fully understand the Complainant's attempts to expand the adjustment to a negative factor during the fourth trend period. The Board did accept the Respondent's time adjustment because both parties relied upon the first three trend periods. The Board did not find market support for the Complainant's extension of the time adjustment factors for the fourth period.

[14] The Board finds that sales of properties within the same industrial park with similar building sizes and similar site coverage ratios are superior to sales of properties in other areas that must be adjusted to account for site coverage differentials. The Respondent had analyzed the Complainant's sales data and applied time adjustments to prices. The Board finds the average time adjusted price of \$253.96 per square foot to be the best indicator of value and the assessment is reduced accordingly. Given the information provided by the parties, it is difficult for the Board to make a determination on the comparability of the Fountain Tire property. The Board is satisfied that the remaining three Starfield sales are sufficiently comparable to support the reduction.

DATED AT THE CITY OF CALGARY THIS 29<sup>th</sup> DAY OF August 2013.

  
W. Kipp

Presiding Officer

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

<b>NO.</b>	<b>ITEM</b>
1. C1	Complainant Disclosure
2. R1	Respondent Disclosure
3. C2	Complainant Rebuttal

*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 Internal Use***

<b>Appeal Type</b>	<b>Property Type</b>	<b>Property Sub-Type</b>	<b>Issue</b>	<b>Sub-Issue</b>
CARB	WAREHOUSE	SINGLE TENANT	SALES APPROACH	COMPARABLE SALES