



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:

1262271 Alberta 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:

ROLL NUMBER:	054010905
LOCATION ADDRESS:	3220 – 5 Avenue NE, Calgary AB
FILE NUMBER:	70684
ASSESSMENT:	\$6,500,000

This complaint was heard on the 22nd 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*

Appeared on behalf of the Respondent:

- *G. Foty & J. Greer (T. Nguyen observing)*

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

[1] There were no preliminary procedural or jurisdictional matters to be decided by the Board.

Property Description:

[2] The property that is the subject of this assessment complaint is a multi-tenant light industrial property located in the Franklin community of northeast Calgary. The Class "C" industrial building was built in 1976 on a 4.42 acre industrial land parcel. Total assessable floor area is 67,962 square feet. The building site coverage ratio is 35.31 percent.

[3] There is a tenant in a portion of the building that is exempt from municipal taxation. The assessment of the property has been adjusted to account for the exempt tenant space. Industrial properties such as this are assessed using a sales comparison approach. By comparison to other similar properties that have been sold in the market, a rate of \$108.38 per square foot of building area was determined and applied. An \$864,500 adjustment for the tax exempt space brought the 2013 assessment to a truncated \$6,500,000.

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 that the assessment amount is incorrect and it listed reasons for that allegation.

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

- 1) Is a 12 percent increase in assessment from 2012 to 2013 too much of an increase?
- 2) Should the assessed rate per square foot be reduced to \$90.64?
 - i. Is the Respondent's time adjustment representative of market changes up to the July 1, 2012 valuation date?

Complainant's Requested Value: \$5,430,000

Board's Decision:

[7] The Board reduces the 2013 taxable assessment to \$5,830,000

Position of the Parties

Complainant's Position:

[8] In its disclosure document, the Complainant provided data on seven sales of property that were considered to be comparable to the subject. These sales occurred between the dates of July 22, 2009 and September 15, 2011. There were no time adjustments made to any of the sales (adjustments were made later – as shown in the Complainant's rebuttal disclosure). The sales sold at prices that ranged from \$55 to \$101 per square foot of building area.

[9] Assessment to sales ratios (ASR's) were calculated for the sales. The average and median of the ASR's were 1.23 and 1.21 (ideally, ASR's should be between 0.95 and 1.05). The high ratios showed that there was a general over-assessment of properties in some size ranges. The Complainant did not present any equity analysis because ASR's were so high. It was acknowledged that once time adjustments were applied, the range in the ratios narrowed somewhat.

[10] In rebuttal, the Complainant removed four of the sales that had been presented in the original disclosure document that were considered to be invalid by the Respondent. Three of the sales that were relied upon by the Respondent were added. 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. The time adjusted prices of the six sales ranged from \$84.43 to \$102.43 and averaged from \$90.64 to \$91.79 per square foot in the Complainant's analysis. Using the Respondent's analysis, the range was from \$89.17 to \$107.89 and the averages were from \$95.97 to \$96.08 per square foot.

[11] Following the presentation of the time adjusted prices of the selected six sales, the Complainant proposed that the subject assessment be reduced to \$90.64 per square foot (the median average of the Complainant's time adjusted prices).

[12] The Complainant pointed out that the assessment had increased by 12 percent from 2012 to 2013. There was no evidence to show that this increase was excessive and there was no alternative rate of increase proposed.

[13] During the presentation of evidence and cross-examination of the Complainant, it came to light that the Complainant was relying on building sizes (floor areas) that were reported in online documents on the City of Calgary website. The Respondent pointed out that this website contained numerous errors in floor areas and that the errors had been in place for some time but no method of making corrections had been developed yet. According to the Respondent, the most accurate areas were contained in the Assessment Explanation Supplement sheets which are not available from the website and which must be individually requested from the Assessment Business Unit by taxpayers. In each instance where the Respondent pointed out

that one City of Calgary document contradicted another document, the Complainant made the appropriate adjustments in its rebuttal disclosure.

Respondent's Position:

[14] The Respondent asserted that assessments increase on a year over year basis for one or more of several reasons and that issue would not be addressed at this hearing.

[15] Four of the seven sales reported by the Complainant were considered to be invalid for comparisons to the subject property either because they were not actively marketed prior to sale or because they were properties with more than one building on a single site. For the three sales that were considered to be valid and comparable, the Respondent time adjusted the sale prices. The time adjusted price of the one northeast Calgary sale supported the assessment.

[16] The Respondent presented sales data on five properties considered comparable to the subject and which sold between the dates of October 30, 2009 and May 4, 2012. Time adjusted prices for these sales ranged from \$94.64 to \$161.56 per square foot of building and averaged from \$98.33 to \$111.94 per square foot. The assessment of the subject property is within this range and is therefore considered to be correct.

[17] 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 the following:

- | | |
|-------------------------------------|---------------------------|
| 1) From July 2009 to May 2010 | -0.7912 percent per month |
| 2) From June 2010 to March 2011 | 0.0 percent per month |
| 3) From April 2011 to November 2011 | +1.5669 percent per month |
| 4) From December 2011 to June 2012 | 0.0 percent per month |

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

Board's Reasons for Decision:

[19] The Board is concerned that the City of Calgary Assessment Business Unit continues to make its website compilation of Property Assessment Summary Reports available to taxpayers when it has been known for quite some time (years?) that many of those summary reports are inaccurate, particularly when it comes to building floor areas. Taxpayers will access that information and rely upon it thinking that the City would only publish correct data. Considerable Assessment Review Board hearing time could be saved if the City either corrected the data or removed it entirely until such time as only correct information is available.

[20] Having regard to the 12 percent year over year change in assessments, the 2012 assessment (based on market value as at July 1, 2011) indicated a rate of \$76.81 per square foot of building area but the most comparable sales that occurred during 2011 showed prices from \$80.48 to \$87.27 (no time adjustments) per square foot of building area. Perhaps the 2012 assessment was lower than market. Nevertheless, the Board will not adjust assessments solely on the basis of year over year changes.

[21] 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. Nor does it 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.

[22] The Board examined the property sales that were put forward by the parties. There was agreement amongst the parties on some of the sales. One of the Respondent's sales was omitted from the Complainant's analysis because it indicated a high price per square foot (\$161.56). While it did appear to be an outlier, it had similar characteristics to the subject and the sale had closed less than two months prior to the valuation date. The sale had been challenged by the Complainant on the ground that it was more of an office building than an industrial building. Comparison of this property to the subject indicated that this comparable contained 69 percent warehouse space while the subject's finished ratio was 62 percent. The difference is insignificant and does not exclude this property as a comparable.

[23] The median sale price from the Respondent's five comparables was \$98.33 per square foot of building. The Complainant's six sales produced a median price of \$95.97 per square foot from the time adjusted column based on the Respondent's time adjustment analysis. With the aforementioned \$161.56 per square foot sale included, the Board determines a median rate of \$97.30 per square foot of building area. When this rate is applied to the subject property and the tax exempt space adjustment is applied, the reduced taxable assessment is \$5,830,000 (Truncated)

DATED AT THE CITY OF CALGARY THIS 22nd DAY OF August 2013.


W. Kipp

Presiding Officer

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

NO.	ITEM
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

Appeal Type	Property Type	Property Sub-Type	Issue	Sub-Issue
CARB	WAREHOUSE	MULTI-TENANT	SALES APPROACH	COMPARABLES