

## **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:**

***Parts Canada Development Co. (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>048039903</b>
<b>LOCATION ADDRESS:</b>	<b>2916 – 21 Street NE, Calgary AB</b>
<b>FILE NUMBER:</b>	<b>70779</b>
<b>ASSESSMENT:</b>	<b>\$6,500,000</b>

This complaint was heard on the 25<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*

Appeared on behalf of the Respondent:

- *G. Foty*

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

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

**Property Description:**

[2] The property that is the subject of this assessment complaint is a single occupant light industrial building situated on a 3.06 acre industrial lot in South Airways Industrial in northeast Calgary. The building has a footprint area of 76,409 square feet and a total assessable area of 82,849 square feet. There is interior finish to eight percent of total floor area. The year of building construction was 1979. The building footprint area represents a 57.32 percent site coverage ratio.

[3] The City of Calgary Assessment Business Unit publishes certain information on its website to assist taxpayers in understanding their assessments. One of the documents that is posted is a Property Assessment Detail Report (PADR). There is a PADR for each individual property. One piece of information shown on the PADR is the building area. For the subject property, the building area is shown as 85,449 square feet and it is that area that the Complainant relied upon in studying the property's assessment. During the hearing, the Respondent stated that PADR's frequently contain incorrect information such as building areas. In this instance, the assessment is actually based on a building area of 82,849 square feet, an area that is shown on the Assessment Explanation Supplement (AES), another assessment department document but one that is not published on the City website and that is not made available to anyone other than a property owner or the owner's authorized agent and only when specifically requested. The Complainant became aware of the error when reviewing the Respondent's disclosure brief (Exhibit R1). The 2013 assessment of the subject property was prepared using a sales comparison approach. The assessment of \$6,500,000 is based on a unit value of \$78.46 per square foot of assessable building area. The Board accepts 82,849 square feet as the correct assessable area.

**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

was incorrect. There were a number of grounds set out for the alleged incorrect assessment.

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

- 1) Is a 15 percent year over year assessment increase reasonable?
- 2) Is the Respondent's time adjustment reflective of market changes up to the July 1, 2012 valuation date?
- 3) Is \$78.46 per square foot the correct assessment rate or should it be reduced to \$71.86 per square foot?

**Complainant's Requested Value: \$5,950,000**

**Board's Decision:**

[7] The Board confirms the assessment at \$6,500,000

**Position of the Parties**

**Complainant's Position:**

[8] The Complainant pointed out that the assessment had increased by 15 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.

[9] The Complainant provided details on three northeast Calgary industrial property sales that occurred between January 2010 and June 2011. The transactions were rejected by the Respondent because they are multi-building properties. In the original evidence disclosure, the Complainant had not made time adjustments. In its rebuttal evidence and final assessment reduction request, the Complainant removed one of the offending sales and added one of the sales relied upon by the Respondent and applied time adjustments to older sales. The average unit value from the three sales is \$71.86 which forms the basis of the requested reduction to \$5,950,000. The Complainant argues that two of the multi-building sales are retained because they are the best indicators of value for a property of the subject's size.

[10] The Complainant made time adjustments by extending the Respondent's adjustment trend line. The Respondent had developed a time adjustment trend line that segregated adjustments over four trend periods of time from July 2009 to July 2012. There was a positive adjustment for the first period and a negative adjustment for the third. The second and fourth time periods each had a 0.0 percent adjustment. The Complainant observed a downward slope to the trend line for the fourth 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.

**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 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

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

[13] Five sales of northeast and southeast Calgary industrial properties were detailed in Exhibit R1. One of those properties is in the same market zone as the subject (South Airways 3). One of the buildings is larger (96,804 square feet) than the subject and the other four are smaller (50,265 to 59,573 square feet). All five have lower site coverage ratios (32.35 to 45.28 percent). Building ages are somewhat similar to that of the subject. Time adjusted sale prices range from \$78.22 to \$107.89 per square foot. The median (\$88.90) and average (\$90.02) from the sales support the \$78.46 per square foot assessment rate. The Complainant had argued that the highest unit price was an "outlier" and should not be given weight. Even with that sale removed from the analysis, the average (\$85.55 per square foot) and median (\$87.42 per square foot) still support the assessment.

#### **Board's Reasons for Decision:**

[14] During the presentation of evidence, it was found that the floor area of the subject property relied upon by the Complainant (85,449 square feet) was different than the area used by the Respondent (82,849 square feet). The Complainant had obtained the area from the Property Assessment Detail Report (PADR) that is published on the City of Calgary website. The Respondent informed the Board that building area data on the PADR's is frequently wrong. The Respondent relies upon the area shown on the Assessment Explanation Supplement, a document that is not available to the public and is only made available to a taxpayer upon request. The Board is concerned that the City of Calgary Assessment Business Unit continues to make its website compilation of PADR's 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. In this instance, the size variance impacts the assessment by more than \$200,000. 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 can be made available. The Board accepts 82,849 square feet as the correct floor area.

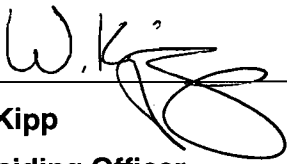
[15] The Respondent explained that the time adjustment was calculated by multiple regression analysis of sales to assessment ratios. While the outcome was presented to the Board, the Respondent would not reveal the complete analysis. The Board does not understand the significance of sales to assessment ratios in determining a time adjustment. In many instances, time adjustment factors are derived from comparison of actual sale prices. This is a more understandable process. Nor does the Board fully comprehend 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 receive market support for the Complainant's extension of the time adjustment factors for the fourth period.

[16] Having regard to the 15 percent year over year change in assessments, there was no

market evidence to suggest what a proper rate of change should be. Nevertheless, the Board will not adjust assessments solely on the basis of year over year changes.

[17] The best evidence of a property's value can be found in the sales prices of other similar properties. The best sales would be of properties of similar size and age, with similar site coverage ratios and within the same market zone. The multiple building properties used in comparison by the Complainant are not ideal but the Board understands the Complainant's position that they are superior to single building properties with no similar characteristics to the subject. While the aggregate building area of these properties was similar to the area of the subject single building, there were significant variances in site coverage ratio and percentage of interior finish, two characteristics that diminish the comparability of those properties. The Board finds that three of the Respondent's single building sales have sufficient similarities to the subject to be useful in a sales comparison analysis even though total floor areas vary. The time adjusted sale prices of these sales (from \$85.94 to \$89.14 per square foot of building area) provide ample support for the \$78.46 assessment rate after consideration is given to the more significant comparison characteristics of building size and site coverage ratio.

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

  
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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	COMPARABLES