



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:

Safeway Holdings (Alberta) Ltd. (as represented by MNP LLP), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

W. Kipp, PRESIDING OFFICER

H. Ang, BOARD MEMBER

R. Cochrane, 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:	116009192
LOCATION ADDRESS:	3700 – 78 Avenue SE, Calgary AB
FILE NUMBER:	70866
ASSESSMENT:	\$5,680,000

This complaint was heard on the 7th day of August, 2013 at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 8.

Appeared on behalf of the Complainant:

- *J. Langelaar*

Appeared on behalf of the Respondent:

- *E. Wu*

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 multi-tenant light industrial property located on a 2.41 acre lot in Foothills Industrial Park in southeast Calgary. The property has exposure, but no access, to Barlow Trail, the major north-south roadway through Foothills Industrial. The building, built in 1980, is demised into rental bays of various sizes. The building has a footprint area of 33,631 square feet and an assessable area of 48,905 square feet. The building footprint area represents a site coverage ratio of 32.02 percent.

[3] Industrial properties such as this are assessed using a sales comparison approach. The property assessment of \$5,680,000 indicates a rate of \$116.34 per square foot of the assessable floor area of the building.

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. Several grounds for the allegation were set out.

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

- 1) Is an assessment increase of 30 percent from 2012 to 2013 reasonable?
- 2) Is the overall assessment rate of \$116.34 per square foot of building area correct or should it be reduced to \$93.60 per square foot?
- 3) What is the appropriate time adjustment to reflect market changes over the sales analysis period ending on July 1, 2012?

Complainant's Requested Value: \$4,570,000

Board's Decision:

[7] The Board reduces the assessment to \$4,750,000.

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

[8] The Complainant pointed out that the assessment had increased by 30 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 presented data on five industrial property sales in southeast industrial parks. One other sale (\$99 per square foot of building area) was described but it occurred in March 2013, after the valuation date so it was not relied upon in the Complainant's analysis. Sale prices for the five comparables ranged from \$67 to \$127 per square foot of building area. No time adjustments were applied during the first analysis of these sales.

[10] In rebuttal, the Complainant made adjustments for market changes over time. 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 accepted and adopted the Respondent's time adjustment rates for the first three time periods. With zero percent change in the fourth trend period, the net effect of the Respondent's time adjustments was a 3.832 percent increase. The Complainant observed a downward slope to the trend line for the fourth period. To account for this, the Complainant applied a decrease of 3.832 percent to the fourth period. Notwithstanding that the Complainant adopted the Respondent's time adjustment factors for the first three trend periods, it questioned the methodology of relying on sales to assessment ratios as well as the types of property sales that went into development of the trend line. For example, from the Respondent's list of industrial property sales (warehouse, condominium and land), the Complainant pointed out that a November 28, 2011 warehouse sale had no time adjustment applied but another warehouse that sold the next day, on November 29, 2011, was adjusted upwards by 1.57 percent. Further, an industrial condominium sale that occurred November 28, 2011 was adjusted upwards by 3.25 percent while a land sale that occurred that same day was adjusted upwards by 5.76 percent.

[11] Also in rebuttal, the Complainant removed two of the comparable sales because they were rejected by the Respondent. From the remaining three sales, the time adjusted price range changed to \$75.09 to \$137.80 per square foot and the median rate was \$93.60 per square foot. The property with the highest indicated sale price had a site coverage ratio of 24 percent, substantially lower than the subject's 32.02 percent ratio. The other two properties had coverage ratios similar to that of the subject.

Respondent's Position:

[12] 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

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

[13] Details of six Foothills industrial property sales were set out. The properties sold at prices (time adjusted by the Respondent) from \$78.22 per square foot to \$143.55 per square foot. Three of the sales have site coverage ratios similar to that of the subject. The other three have significantly lower ratios. Total building sizes range from 25,334 to 55,000 square feet and year of building construction ranged from 1975 to 1982.

Board's Reasons for Decision:

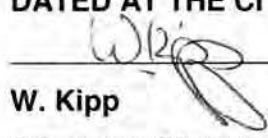
[14] The Respondent explained that the time adjustment was calculated by multiple regression analysis of sales to assessment ratios. While the outcome was presented to the Board, the Respondent would not reveal the complete analysis. The Board does not understand the significance of sales to assessment 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.

[15] Having regard to the 30 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.

[16] The Respondent had presented a table of the Complainant's sales comparables with adjustments made for variances in site coverage ratios. Rather than adjust the sale prices, as would typically be expected, the adjustments were made to the assessments of those properties. The Board fails to understand the reasoning behind this action when sale price data was readily available. No similar presentation was made for the three comparables from the Respondent's chart where ratios were much lower than that of the subject.

[17] One of the three Respondent comparables that has a similar site coverage ratio had a much smaller building (28,052 square feet versus 48,905 square feet). That comparable shows the highest unit sale price at \$130.16 per square foot. The remaining two sales which the Board finds to be useful have buildings slightly larger than the subject. Their prices were \$78.22 and \$97.30 per square foot. The Complainant also relied upon these two sales. In fact, all three of the Complainant's comparables were also used by the Respondent. The Board finds three of the comparables to be most comparable to the subject. The median price for those sales was \$97.30 per square foot of building.

DATED AT THE CITY OF CALGARY THIS 11th DAY OF September, 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	IMPROVEMENT COMPARABLES