



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:

***1666058 ALBERTA LTD., COMPLAINANT
(as represented by AEC Property Tax Solutions)***

and

The City Of Calgary, RESPONDENT

before:

***BOARD CHAIR: P. COLGATE
BOARD MEMBER: B. BICKFORD
BOARD MEMBER: H. ANG***

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:	201151347
LOCATION ADDRESS:	10861 50 STREET SE
FILE NUMBER:	70982
ASSESSMENT:	\$2,990,000.00

This complaint was heard on 17th day of June, 2013 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 1.

Appeared on behalf of the Complainant:

- *Steve Rickard, AEC Property Tax Solutions*
- *Bernie Wandler, President/CEO Assured Plumbing and Heating, Owner*

Appeared on behalf of the Respondent:

- *Raymond Luchak, City of Calgary*

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

[1] The Board derives its authority to make this decision under Part 11 of the Municipal Government Act (the "Act"). The parties had no objections to the panel representing the Board as constituted to hear the matter.

Preliminary Matter:

[2] No preliminary matters were raised.

Property Description:

[3] The subject property contained an industrial warehouse, with two or less units, constructed in 2011 at the location 10861 50 Street SE in the Dufferin economic zone. The structure, situated on a 0.86-acre parcel, has an assessable area of 13,760 square feet, with 42% finish. Site coverage is 28.77%. The land use designation is I-G, Industrial - General. The subject property had been assessed, based upon the Direct Comparison Approach, for \$2,996,112.00 (rounded to \$2,990,000.00) or a rate per square foot of \$217.74.

Issues:

[4] The primary issue placed before the Board is one of quality of the subject structure in comparison to other properties in the vicinity of the subject property.

[5] The Complainant submitted an appraisal report prepared by Altus Group Ltd. in support of the requested value.

Complainant's Requested Value: \$2,500,000.00

Board's Decision:

[6] The Board, upon review of the evidence submitted by the Complainant and the Respondent, found sufficient evidence was provided to justify a change to the assessment of

the property under complaint.

[7] The Decision of the Board was to amend the assessment to **\$2,760,000.00**

Legislative Authority, Requirements and Considerations:

[8] In the interest of brevity, the Board will restrict its comments to those items the Board found relevant to the matters at hand. Furthermore, the Board's findings and decision reflect on the evidence presented and examined by the parties before the Board at the time of the hearing.

[9] Both the Complainant and the Respondent submitted background material in the form of aerial photographs, ground level photographs, site maps and City of Calgary Assessment Summary Reports and Income Approach Valuation Reports.

Position of the Parties

Complainant's Position:

[10] Mr. Bernie Wandler, the owner of the property, testified before the Board with respect to his knowledge of the acquisition and development of the subject property. The subject parcel was purchased for an expansion of the business in 2009 for a price of \$500,000.00. Mr. Wandler stated he researched the construction of the building, taking into consideration his needs and budget. Mr. Wandler constructed a 'Butler' building for a cost of \$1,200,000.00 to \$1,300,000.00 as it provided the needed space for the least cost. Mr. Wandler stated the cost of construction for his building was approximately 50% of the cost of constructing a masonry structure, but he had no supporting documents to support his claim.

[11] Through photographs (C1, Pg. 1, 1-4, 6-8) and verbal testimony, Mr. Wandler provided the Board with details of the subject property. The subject building is 'an engineered building (Butler Building type)', which the Complainant stated was inferior to the typical masonry construction. It was described as a steel framework over which metal clad insulated panels are installed. The interior is divided between office space, approximately 43%, and industrial /warehouse area. The office area is divided between the main floor area and a mezzanine level, with only the mezzanine being developed at this time. In the opinion of Mr. Wandler it would cost about \$150,000.00 to finish the remainder of the office area. Four overhead doors service the warehouse area. The roof is assumed to be tar and gravel on a metal roof deck.

[12] Mr. Wandler stated his property is being assessed at the same rate as better quality masonry buildings in the vicinity.

[13] Entered into evidence was an appraisal report, prepared by Altus Group Ltd., for a valuation of the property on November 30, 2011. (C1) The opinion of the market value was \$2,500,000.000. The appraisal report prepared an analysis using an Income Approach and a Direct Comparison Approach. (C1, 15-23 of Appraisal Report)

[14] For the Income Approach the Complainant used a stabilized Net Operating Income of \$159,390.00 and a capitalization rate of 6.50%, derived from an analysis of four sales in 2011, to determine a value of \$2,452,154.00.

[15] The Direct Comparison Approach entailed the determination of an improvement rate from five sales and a land rate from four sales. The results determined a value of \$2,455,400.00.

Direct Comparison Approach

Improvement Value	
Unit Value/sq.ft.	\$140.00
Rentable Area (sq. ft.)	13,860
Value Excluding Land	\$1,940,400
Land Value	
Value/acre	\$600,000
Area of Site (acres)	0.86
Land Value	\$515,000
Total Value Estimate	\$2,455,400

[16] The Assessment Explanation Supplements for four properties were submitted into evidence to compare to the subject property. In verbal testimony, the Complainant described the differences between the comparable and the subject. Such as location, construction types, and site coverage. The Assessment for 11184 42 Street SE was questioned as the building was burned down in 2009 and rebuilt, but the assessment records identify it as constructed in 2006. The property at 10911 50 Street SE was described as a precast concrete structure.

[17] The Complainant's request is based upon the appraisal report value not on the actual cost to acquire the land and build the structure.

Respondent's Position:

[18] The Respondent submitted a sales chart of the Complainant's sales, making note of a number of differences. (R1, Pg 22) The Respondent stated there were no time adjustments made for the older sales, especially those from 2010 and mid 2011. Also there were differences in the assessable areas applied by the two parties. The Respondent submitted 'corrected' time adjusted sale price rates per square foot which indicated a range from \$156.10 to \$211.50. It was argued if this range was used in the Complainant's analysis it would result in a higher square foot rate in the determination of the improvement value.

[19] An equity table of the Complainant's comparable properties was submitted into evidence by the Respondent. (R1, Pg. 23) The rate per square foot ranged from \$127.47, for a 1991 structure, to \$224.08 for a 2006 structure. The Respondent noted the subject property assessment per square foot fell within the range of values.

[20] The Respondent submitted its own sale comparables chart of three properties selling between January 28, 2010 and March 28, 2012. The time adjusted sale price per square foot ranged from \$201.82 to \$244.03, with the subject at an assessable rate of \$217.74 per square foot. The year of construction ranged from 1998 to 2004, with the subject constructed in 2011.

[21] The Respondent submitted an equity chart which contained three comparable properties, all of which were submitted by the Complainant in its analysis of comparable properties. (R1, Pg. 26) The Respondent argued the subject property fell within the range of assessment rates per square foot of \$212.33 to \$224.08, with the subject assessed at a rate of \$217.74 per square foot.

[22] When questioned by the Board and in testimony, the Respondent stated that quality of construction was not a criteria for the valuation of warehouses, that the predominant variable

was the year of construction.

Board's Reasons for Decision:

[23] The Board noted the continuing problem the City of Calgary has in its published information with respect to the details attributed to the properties in its inventory. The Board found the difference between the City of Calgary website's "Property Assessment Detail Report" and the Assessment Business Unit's "Assessment Explanation Supplement" showed a difference in building areas. The result of this discrepancy created requests made by the Complainant based upon faulty information provided by the City of Calgary. Both the Complainant and the Respondent agreed to use the area supplied by the Assessment Explanation Supplement, if adjustments were warranted by the Board. The Board strongly encourages the City of Calgary to resolve this on-going problem which has existed for a number of years.

[24] This Board was concerned with the testimony of the Respondent when informed the City of Calgary, in its assessment model for warehouses, does not take into consideration the quality of the structures. The Board was advised the primary criteria for valuing warehouses was based upon the year of construction, with adjustments for size, land area, finish percentage and site coverage. When questioned about two buildings constructed in the same year, but of differing construction material and life expectancy, the Respondent replied they would have the same market value assessment. This Board has difficulty rationalizing this assumption as applicable in the market place.

[25] The Board reviewed the equity comparables presented and found they provided little guidance in the determination of the market value due to the numerous differences, such as age, construction material and location. Accordingly, the Board place low weight on their value in the decision process.

[26] The Board reviewed the sales presented by both parties and determined seven sales were representative of the market in the vicinity of the subject. One sale was found to be common to both the Complainant's and the Respondent's submissions. The analysis of the seven sales produced a median sale price per square foot of \$201.82 and an average value of \$201.15 per square foot.

[27] The Board refined its review of the sales to only those five sales identified as being steel construction. The analysis of the five sales produced a median value of \$200.97 per square foot.

[28] The Board finds a revised rate of \$200.97 is an appropriate rate for the building area of 13,760 square feet and according amends the assessment to \$2,760,000.00.

DATED AT THE CITY OF CALGARY THIS 19th DAY OF July 2013.



PHILIP COLGATE

Presiding Officer

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

NO.	ITEM
1. C1	Complainant Disclosure
2. C2	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 ADMINISTRATIVE USE

Subject	Property Type	Property Sub-Type	Issue	Sub-Issue
CARB	Warehouse	Warehouse Single Tenant	Cost/Sales Approach	Equity

LEGISLATIVE REQUIREMENTS

MUNICIPAL GOVERNMENT ACT

Chapter M-26

1(1)(n) “market value” means the amount that a property, as defined in section 284(1)(r), might be expected to realize if it is sold on the open market by a willing seller to a willing buyer;

Division 1

Preparation of Assessments

Preparing annual assessments

285 Each municipality must prepare annually an assessment for each property in the municipality, except linear property and the property listed in section 298. RSA 2000 cM-26 s285;2002 c19 s2

289(2) Each assessment must reflect (a) the characteristics and physical condition of the property on December 31 of the year prior to the year in which a tax is imposed under Part 10 in respect of the property,

ALBERTA REGULATION 220/2004

Municipal Government Act

MATTERS RELATING TO ASSESSMENT AND TAXATION REGULATION

1(f) “assessment year” means the year prior to the taxation year;

Part 1

Standards of Assessment

Mass appraisal

2 An assessment of property based on market value

- (a) must be prepared using mass appraisal,
- (b) must be an estimate of the value of the fee simple estate in the property, and
- (c) must reflect typical market conditions for properties similar to that property.

Valuation date

3 Any assessment prepared in accordance with the Act must be an estimate of the value of a property on July 1 of the assessment year.