



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:	033037508
LOCATION ADDRESS:	1437 – 47 Avenue NE, Calgary AB
FILE NUMBER:	70992
ASSESSMENT:	\$9,920,000

This complaint was heard on the 6th 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 & Y. Lau*

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 two building multi-tenant light industrial property located on a 5.0 acre lot in McCall Industrial park in northeast Calgary. The property has exposure, but no access, to McKnight Boulevard, a major east-west roadway. Two buildings, both built in 1975, are demised into rental bays of varying sizes. The larger of the two buildings has footprint and assessable area of 50,245 square feet. The smaller building has a footprint area of 31,912 square feet and assessable area of 39,912 square feet. The combined building area represents a site coverage ratio of 37.7 percent.

[3] Industrial properties such as these are assessed using a sales comparison approach. Multi-building properties are assessed by comparing each building separately to single building properties where the building size is similar and the site coverage ratio is similar to the overall ratio for the subject property. By this comparison process, rates per square foot of building area were determined and applied.

Building A:	50,245 Sq. Ft.	\$106.97 per square foot
Building B:	39,912 Sq. Ft.	\$114.11 per square foot

A multi-building adjustment factor is applied to recognize that multi-building properties trade in a different manner to single building properties. The Respondent would not disclose the actual coefficient that is applied. After application of the multi-building coefficient, the total property assessment of \$9,920,000 indicates a blended rate of \$110.13 per square foot of the aggregate assessable floor area of all buildings.

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 21 percent from 2012 to 2013 reasonable?
- 2) Is the overall assessment rate of \$110.13 per square foot of building area correct or should it be reduced to \$85.00 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: \$7,660,000

Board's Decision:

[7] The Board reduces the assessment to \$7,960,000.

Position of the Parties

Complainant's Position:

[8] The Complainant pointed out that the assessment had increased by 21 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] A valuation method similar to that used by the Respondent was used. Because both subject buildings are reasonably close in size, seven northeast Calgary sales of single building properties were selected. Building sizes ranged from 36,743 to 51,515 square feet. Sale prices for these comparables ranged from \$79 to \$101 per square foot. The median rate was \$85 per square foot. This rate could be applied to each of the subject buildings. Site coverage ratios for these comparables were from 33.7 to 54.5 percent with all but one being over 40 percent.

[10] For each sale comparable, the Complainant obtained building property data and building sizes from the Property Assessment Detail Reports (PADR) that are published on the City of Calgary Assessment Business Unit website.

[11] 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.

[12] Also in rebuttal, the Complainant removed two of the comparable sales because they were rejected by the Respondent. From the remaining five sales, the time adjusted price range changed little and the median rate remained at \$85 per square foot. These adjusted prices do not reflect any multi-building reduction as would have been applied by the Respondent. Since the Respondent will not divulge the coefficient, the Complainant left it to the Board to determine and apply a reduction.

Respondent's Position:

[13] 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.

[14] The Respondent argued that multi-building properties must be assessed by valuing each building individually. The reasoning behind this argument was in the form of cost examples:

- 1) One 80,000 square foot building would cost less to build than three 20,000 square foot and two 10,000 square foot (total of 80,000 square feet) buildings
- 2) One 20,000 square foot building would cost less than one 10,000 square foot and two 5,000 square foot (total of 20,000 square feet) buildings

[15] The Respondent produced Assessment Explanation Supplement (AES) documents for the sale comparables that the Complainant had relied upon. For four of those properties, the AES showed a different building floor area. The Respondent relies upon the floor areas in AES documents, not those in PADR documents. While PADR documents are available from the City website, AES documents are not – they must be requested from the assessor by the property owner (or authorized agent).

[16] Details of five multi-building property sales were set out. Two properties in South Airways in northeast Calgary sold at \$101.17 per square foot (total building area of 48,660 square feet and a 36.46 percent site coverage ratio) and at \$139.94 per square foot (total building area 35,200 square feet and a 46.7 percent site coverage ratio). Three of the sales are in southeast or central Calgary industrial areas. Total building sizes range from 64,025 to 177,987 square feet; site coverage ratios are 42.57, 13.42 and 22.91 percent and year of building construction ranged from 1960 to 2009.

[17] The Respondent did a comparison of sales prices of single building properties to multi-building properties. One multi-building property with a total building area of 35,200 square feet was compared to two single building properties with similar building area and it was found that the multi-building property sold for 58 to 75 percent more than the single building properties. One multi-building property with a total building area of 48,660 square feet was compared to two

single building properties with similar building area and it was found that the multi-building properties sold for 13 to 18 percent more than the single building properties. From this data, the Respondent found an average differential of 41 percent which when applied to the price of a single building property of comparable size to the subject indicates a value of \$125.37 per square foot.

[18] The Respondent removed two of the Complainant's seven sales comparables because one of them sold prior to the July 2009 start of the analysis period and one is a multi-building property. At the hearing, the Respondent pointed out that a sales report for another property indicates that there was deferred maintenance that needed to be addressed at some time. For that reason, the sale was not indicative of typical buyer and seller motivations and should also be removed from the analysis.

Board's Reasons for Decision:

[19] During the presentation of evidence, it was found that the floor areas of four of the Complainant's comparables were different than the areas reported by the Respondent. The Complainant had obtained the areas from the Property Assessment Detail Reports (PADR) that are 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. 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.

[20] 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.

[21] Having regard to the 21 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.

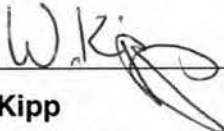
[22] The method of valuing multi-building properties has been addressed by several CARB's over the past several years. In most instances, multi-building properties are unable to be subdivided and the buildings sold separately. When a single site operated as an investment property contains a number of similar buildings, those buildings will attract similar rents. An investor in the marketplace would consider the total floor area of the buildings to determine the potential income. The property would sell as a single property. The subject property descriptions provided to the Board suggest that the two subject buildings would likely attract the same rent

rates. In this instance, the two buildings are of somewhat similar size so there is no reason that they would not sell on the basis of the same rate per square foot. The Respondent's building cost analysis is not relevant to the market value of property. While the cost approach is one method of valuing property and smaller buildings do tend to cost more per square foot to build (economies of scale principle), those smaller buildings will not sell for more unless they can attract more rent than larger buildings.

[23] The Board finds that the Respondent's comparison of single building property sales to the sales of multi-building properties is flawed. For the smaller properties, the differential was 58 to 78 percent and for the larger properties, the differential declined to a range of 13 to 18 percent. It is logical that for properties of the subject's size which is even larger than the largest of the sample properties, the differential should be even smaller than 13 to 18 percent. The Respondent has used the average of the differential rates (41 percent) and applied that to the subject without regard to the economies of scale principle.

[24] While the Respondent provided some property value comparisons, there was no sales data related specifically to the subject property. The Board is satisfied that the five sales in the Complainant's final analysis have comparable qualities and characteristics to the subject. With a time adjustment (using the Respondent's rates) applied to the last sale in the list on page 5 of Exhibit C2, the median of \$88.38 per square foot is indicated. When applied to the total building area of the subject property, the reduced assessment is \$7,960,000 (truncated). This valuation relates to the aggregate floor area of both subject buildings. For this reason, no multi-building adjustment is necessary.

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