



## **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:

<b>ROLL NUMBER:</b>	<b>032032807</b>
<b>LOCATION ADDRESS:</b>	<b>3501 – 23 Street NE, Calgary AB</b>
<b>FILE NUMBER:</b>	<b>70996</b>
<b>ASSESSMENT:</b>	<b>\$3,940,000</b>

This complaint was heard on the 7<sup>th</sup> 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:

- 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 multi-bay, multi-tenant light industrial property located on a 3.31 acre lot in North Airways Industrial Park in northeast Calgary. The building was built in 1977. The building has a footprint area of 25,561 square feet and an assessable area of 31,197 square feet. There is interior finish in 25 percent of the total floor area. The building footprint area represents a site coverage ratio of 17.71 percent.

[3] Industrial properties such as this are assessed using a sales comparison approach. This includes a positive addition for 1.35 acres of "extra land." For industrial properties, a 30 percent site coverage ratio is considered to be typical. For any property that differs from that 30 percent norm, an adjustment is made. Sometimes, the extra land is designated by the assessor as "excess land" that is land that is excess to the needs of the building(s) but that cannot be subdivided and sold separately. Other times, the extra land is classified as "additional land" that might be able to be subdivided and sold separately. These subjective classifications are not based on the legality of subdivisions in the city. They are based on observations of maps and aerial photographs by the assessor. In the subject instance, 1.35 acres of the 3.31 acre site were considered to be excess land. For excess land, an adjustment is made within the valuation model. The Respondent does not disclose the amount of the adjustment. The final assessment of \$4,453,691 indicates a rate of \$142.76 per square foot of the assessable floor area of the building. This is the total assessment. In the subject instance, there is a portion of the building that is occupied by a tax exempt tenant. With an allocation for that tenant, the net taxable assessment is \$3,940,000.

**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. Several grounds for the allegation were set out.

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

- 1) Is the overall assessment rate of \$142.76 per square foot of building area correct or should it be reduced to \$121.49 per square foot?
- 2) What is the appropriate time adjustment to reflect market changes over the sales analysis period ending on July 1, 2012?

**Complainant's Requested Value: \$3,790,000**

**Board's Decision:**

[7] The Board confirms the taxable assessment for this roll number at \$3,940,000.

**Position of the Parties**

**Complainant's Position:**

[8] The Complainant presented data on five industrial property sales in northeast industrial parks. These sales occurred between the dates of October 1, 2010 and February 28, 2012. All five properties had site coverage ratios greater than 30 percent. Sale prices for the five comparables ranged from \$79 to \$129 per square foot of building area. No time adjustments were applied during the first analysis of these sales. Rather than attempt to adjust each sale for extra land, the Complainant valued the extra land separately and then added it to the indicated base building and land value.

[9] 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.

[10] Also in rebuttal, the Complainant removed one of the comparable sales because it was rejected by the Respondent. From the revised listing of four sales, the time adjusted price range changed to \$78.34 to \$124.18 per square foot and the median rate was \$96.17 per square foot. The extra land valued at \$1,282,500 was added and \$483,789 was deducted for the tax exempt tenant to arrive at the final requested assessment.

**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

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

[12] The Respondent argued that the Complainant did not have to make an extra land adjustment and that the adjustment was incorrectly made. Sales of properties with site coverage ratios similar to that of the subject could be found. This would negate the need for any adjustment.

[13] Details of five northeast and southeast Calgary industrial property sales were set out. The sales occurred between the dates of December 1, 2010 and June 26, 2012. The site coverage ratios from 13.09 to 26.57 percent bracketed the subject's 17.71 percent coverage ratio. The properties sold at prices (time adjusted by the Respondent) from \$134.15 per square foot to \$192.35 per square foot. Total building sizes range from 22,344 to 38,654 square feet and year of building construction ranged from 1970 to 1986. The median time adjusted price was \$143.55 per square foot and the average was \$159.41 per square foot. The Respondent asserted that these indicators supported the subject's assessment rate of \$142.76 per square foot.

**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] The Respondent provided data on sales of properties that have similar site coverages to the subject so no land adjustments were required. Notwithstanding that some of those properties were in different market zones, they were comparable to the subject in many respects.

[16] The Complainant used sales of properties in northeast Calgary but only one had a site coverage ratio near the "typical" 30 percent. The other four ratios were all above 40 percent. None had a ratio as low as the 17.71 percent of the subject. The Respondent asserted that the Complainant's extra land calculation was flawed because it applied a rate of \$950,000 per acre to the whole 1.35 acres of excess land whereas a portion of it should have been valued at

\$600,000 per acre. The Board prefers the Respondent's approach wherein sales of properties with similar site coverage ratios are used, thereby removing the need for any extra land adjustments.

[17] The Board finds that the Respondent's assessment concluding with a taxable assessment of \$3,940,000 is founded on sales of properties that are comparable to the subject in many respects.

DATED AT THE CITY OF CALGARY THIS 11<sup>th</sup> DAY OF September, 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	MULTI-TENANT	SALES APPROACH	IMPROVEMENT COMPARABLES