



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:	032027401
LOCATION ADDRESS:	3939 – 19 Street NE, Calgary AB
FILE NUMBER:	71001
ASSESSMENT:	\$3,960,000

This complaint was heard on the 8th 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 2.05 acre lot in North Airways Industrial Park in northeast Calgary. The building was built in 1977. The building has a footprint area of 30,318 square feet and an assessable area of 32,573 square feet. The building footprint area represents a site coverage ratio of 33.89 percent.

[3] Industrial properties such as the subject are assessed using a sales comparison approach. The property assessment of \$3,960,000 indicates a rate of \$121.84 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 15.5 percent from 2012 to 2013 reasonable?
- 2) Is the overall assessment rate of \$121.84 per square foot of building area correct or should it be reduced to \$107.14 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: \$3,490,000

Board's Decision:

[7] The Board reduces the assessment to \$3,570,000.

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

[8] The Complainant pointed out that the assessment had increased by 15.5 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 northeast industrial parks. The sales occurred between the dates of October 1, 2010 and February 28, 2012. Building areas, from 19,978 to 41,376 square feet, bracketed that of the subject property. Site coverage ratios ranged from 31.1 to 49.6 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. It was argued that the Assessment to Sale Ratios ranging from 1.01 to 1.36 and averaging 1.19 to 1.21 showed that industrial properties were generally over-assessed (the desired range is from 0.95 to 1.05 percent).

[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 one of the comparable sales because it was rejected by the Respondent. The other sale that the Respondent stated was not comparable to the subject was not removed from the analysis. The Complainant maintained that the building was of similar age to the subject and therefore the condition of each building could also be similar. The fact that a sales reporting report mentioned deferred maintenance was insufficient grounds for removal of that comparable. One sale from the Respondent's evidence was added but the Complainant suggested that perhaps it should not have been added because it was an older sale (December 2009), the building was smaller and it was in a different market zone than the subject. From the revised listing of five sales, the time adjusted price range changed to \$78.34 to \$158.56 per square foot and the median rate was \$107.35 per square foot. The median price was from the property with the most current sale date. It was the of similar age to the subject but the building was smaller (19,978 square feet versus 32,573 square feet).

Respondent's Position:

[12] The Respondent did not address the issue of the 15.5 percent change in assessed value on a year over year basis, asserting that it is the market value of the property that is paramount in this hearing.

[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 presented evidence to show that one of the Complainant's sales was a non-arm's length sale and should be removed from the analysis. This is the sale that the Complainant did remove when preparing its final requested value. Another sale was questioned by the Respondent because one of the sales reporting reports had described the building as having deferred maintenance that would have to be addressed by the purchaser. It was not argued that this was an invalid sale but one that was not comparable to the subject.

[15] Details of nine northeast and southeast Calgary industrial property sales, including three from the Complainant's initial list were set out. The three properties relied upon by the Complainant sold at time adjusted prices (time adjusted by the Respondent) from \$88.38 per square foot to \$128.81 per square foot with a median and average of \$109.78 and \$108.99 per square foot. For all nine properties, the range widened to \$88.38 to \$192.35 per square foot with median and average at \$128.81 and \$128.31 per square foot. Total building sizes range from 19,129 to 39,600 square feet and year of building construction ranged from 1970 to 1986. Two of the properties had very low (13.09 and 21.48 percent) site coverage ratios and one was much higher (54.16 percent). The Respondent asserted that these indicators supported the subject's assessment rate of \$121.84 per square foot.

Board's Reasons for Decision:

[16] During the presentation of evidence, it was found that the floor areas of two of the Complainant's comparables were different than the areas reported by the Respondent (one by 849 square feet and one by 1,776 square feet). 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

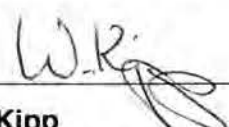
Review Board hearing time could be saved if the City either corrected the data or removed it entirely until such time as only correct information can be made available.

[17] 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.

[18] Having regard to the 15.5 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.

[19] Seven of the 10 sales properties are located in northeast Calgary industrial parks that are similar to North airways (one of the Complainant's sales is in North Airways). Northeast Calgary sales are preferred because they require one less adjustment than southeast or central city sales. All of the northeast properties relied upon by the Respondent have buildings that are 10,000 to 12,000 square feet smaller than the subject and two of the Complainant's sales are similarly smaller. Notwithstanding that the Complainant included one of the Respondent's sales in its final analysis, it argued that the property was not similar to the subject with respect to building size and market zone and that it was a dated sale. The Board agrees that the property at 7211 – 8 Street NE is not similar enough to the subject to be of use in a comparison process. The remaining sale comparables have some similar characteristics to the subject and the Board finds them to be useful. With weight on the sales with building size and site coverage ratios most similar to the subject, the Board finds the median (\$109.78) of these time adjusted sales prices to be the best indicator of value for the subject property.

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