

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:

Clarica Life Insurance Company (as represented by MNP LLP), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

W. Kipp, PRESIDING OFFICER

D. Steele, BOARD MEMBER

A. Wong, 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:	118007004
LOCATION ADDRESS:	5350 – 86 Avenue SE, Calgary AB
FILE NUMBER:	71131
ASSESSMENT:	\$30,610,000

This complaint was heard on the 24th day of July, 2013 at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 10.

Appeared on behalf of the Complainant:

- *L. Langelaar & Y. Lau*

Appeared on behalf of the Respondent:

- *T. Nguyen*

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 industrial property located in South Foothills Industrial Park in southeast Calgary. The 345,674 square foot building is situated on a 17.31 acre industrial lot. The building, constructed in 2008, has 4.0 percent interior finish. The building footprint area of 345,674 square feet represents a 45.85 percent site coverage ratio.

[3] The 2013 assessment is based on the market value of the property as at July 1, 2012 and the property characteristics and condition as at December 31, 2012. Using a sales comparison approach, the assessment rate applied to the total assessable floor area of the building is \$88.56 per square foot.

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 complaint were set out.

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

- a. Is a 17.5 percent increase in assessment from 2012 to 2013 too much of an increase?
- b. Should the assessed rate per square foot be reduced to \$81.46 or \$84.53?
- c. Is the Respondent's time adjustment representative of market changes up to the July 1, 2012 valuation date?
- d. Is the subject property equitably assessed?

Complainant's Requested Value: \$28,160,000 or \$29,210,000

Board's Decision:

[7] The 2013 assessment is confirmed at \$30,610,000

Position of the Parties

Complainant's Position:

[8] The Complainant noted that the 2013 assessment showed a 17.5 percent increase over the 2012 amount. No evidence was provided to indicate what the rate of increase should have been but one of the requested assessment options was to time adjust the 2012 assessment by 8 percent to arrive at \$28,160,000.

[9] In rebuttal, the Complainant made adjustments for market changes over time (time adjustment). 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 observed a downward slope to the trend line for this period which it measured at - 0.5 percent per month. The Complainant accepted and adopted the Respondent's time adjustment rates for the other three time periods.

[10] The Complainant provided data on two sales of large industrial properties and argued that these sales support a reduction in the assessed rate. One of the properties had 15 acres of extra land which necessitated an adjustment. After making the land adjustment and further adjustment for cranes and craneways, the time adjusted price attributable to the building and 24.31 acres of land was \$84.53 per square foot of building area.

[11] The Respondent had relied upon one sale of a property comprising a 142,672 square foot building on a 7.56 acre site (43.31 percent site coverage). The Complainant rejected the sale because it was a part of a portfolio sale that included two Edmonton properties. It was argued that the Respondent has rejected portfolio sales as evidence in other complaint hearings.

[12] The Complainant provided a table of assessment data on 17 other industrial properties in southeast Calgary. The subject property is located in South Foothills and the Assessment Explanation Supplement stated "*South Foothills reduction for local improvement issues has been applied.*" The subject is assessed at \$88.56 per square foot of building area. The mean and median assessment rates for the 17 properties – none of which are in South Foothills – was around \$89 per square foot, leading the Complainant to the conclusion that there perhaps had been no adjustment applied as was stated. If a reduction was applied, the Complainant argued that the assessment would be at the requested amount.

Respondent's Position:

[13] Assessments change from year to year for a number of reasons so the year over year change will not be defended at a complaint hearing. It is the market value of the property for the year under review that is relevant.

[14] 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.

[15] In its disclosure, the Complainant provided data on two industrial properties. The Respondent rejected both of the sales. One was a sale between related parties. The vendor and the purchaser had some of the same directors. The second property sale was rejected because it was a manufacturing plant and not a distribution warehouse like the subject.

[16] There are few properties of the subject's size so open market sales are rare. One 2010 sale was detailed in Respondent's evidence. That sale, which was rejected by the Complainant, was of a smaller building on a smaller site. The time adjusted price was \$142.31 per square foot and the Respondent argued that the sale supported the subject assessment.

[17] The Respondent rejected most of the Complainant's equity comparables because they were either single occupant properties or multiple building properties, or they were located in northeast Calgary rather than the southeast or they were older or they had different site coverage ratios. Four equity comparables were presented by the Respondent, two of which are in South Foothills. All four properties are assessed at \$100 or more per square foot.

[18] The Respondent did not address the Complainant's allegation that the South Foothills adjustment may not have been made to the subject assessment. It was pointed out that the second optional requested assessment was less than five percent below the actual assessment.

Board's Reasons for Decision:

[19] The Board confirmed the assessment at \$30,610,000.

[20] Having regard to the 17.5 percent year over year change in assessments, there was no market evidence to suggest what a proper rate of change should be. The Complainant did suggest that the 2012 assessment could be factored to a 2013 value by application of its time adjustment rate. As detailed below, the Board does not accept the Complainant's time adjustment. Nevertheless, the Board will not adjust assessments solely on the basis of year over year changes.

[21] 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 find market support for the Complainant's extension of the time

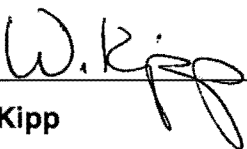
adjustment factors for the fourth period.

[22] The Board found that none of the property sales were useful in determining market value of the subject property. The Respondent found reason to reject both of the Complainant's sales comparables and the Complainant rejected the single sale put forward by the Respondent.

[23] Having regard to equity comparables, the Board also found insufficient information to make comparisons useful. It was not able to determine whether a South Foothills adjustment had been made to the subject. Equity comparables from the Complainant were located in several Calgary industrial areas but none were in South Foothills. Assessments for the Complainant's 17 equity comparables ranged from \$72.16 to \$105.13 per square foot of building area. This range indicates to the Board that there were a great many dissimilarities between properties. The two South Foothills equity comparables in Respondent's evidence had similar characteristics to the subject and tended to support the assessment rate.

[24] In conclusion, the Board did not have sufficient evidence before it that compelled any change to the assessment.

DATED AT THE CITY OF CALGARY THIS 29th DAY OF August 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 EQUITY COMPARABLES