

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:

Morrison Enterprises Inc. (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:	201772761
LOCATION ADDRESS:	7225 – 108 Avenue SE, Calgary AB
FILE NUMBER:	71140
ASSESSMENT:	\$2,440,000

This complaint was heard on the 25th 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:

- *J. Langelaar*

Appeared on behalf of the Respondent:

- *G. Foty & T. Nguyen*

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

[1] In rebuttal, the Complainant presented data to show that a supposedly improved property sale relied upon by the Respondent was actually an unimproved land sale. The Respondent asked to enter a photograph and an assessment department checklist to show that the property was actually sold as an improved property. The Complainant objected to the admission of these two new documents. The Board was of the opinion that the information was relevant to the very important decision as to whether the sale could carry any weight in the Board's analysis. The Board accepted the documents as exhibits and the Complainant was given some time to review the materials and to prepare questions for the Respondent.

Property Description:

[2] The property that is the subject of this assessment complaint is a single occupant light industrial building situated on a 1.25 acre industrial lot in East Shepard Industrial in southeast Calgary. The building has a footprint area of 8,450 square feet and a total assessable area of 9,692 square feet. There is interior finish to 27 percent of total floor area. The year of building construction was 2011. The building footprint area represents a 15.52 percent site coverage ratio.

[3] The City of Calgary Assessment Business Unit publishes certain information on its website to assist taxpayers in understanding their assessments. One of the documents that is posted is a Property Assessment Detail Report (PADR). There is a PADR for each individual property. One piece of information shown on the PADR is the building area. For the subject property, the building area is shown as 10,205 square feet and it is that area that the Complainant relied upon in studying the property's assessment. During the hearing, the Respondent stated that PADR's frequently contain incorrect information such as building areas. In this instance, the assessment is actually based on a building area of 9,692 square feet, an area that is shown on the Assessment Explanation Supplement (AES), another assessment department document but one that is not published on the City website and that is not made available to anyone other than a property owner or the owner's authorized agent and only when specifically requested. The Complainant only became aware of the error when reviewing the Respondent's disclosure brief (Exhibit R1). The 2013 assessment of the subject property was prepared using a sales comparison approach. The assessment of \$2,440,000 is based on a unit value of \$252.54 per square foot of assessable building area. This assessment includes a substantial upwards adjustment for "extra land." For valuation of industrial property, the

Respondent considers 30 percent to be a typical site coverage ratio. For a property where the ratio is higher than 30 percent, a negative adjustment is made in the comparison process. Where the ratio is below 30 percent, as it is in the subject instance, there is considered to be "extra land" and that land is valued and added to the assessment. In the subject instance, extra land was estimated to be 0.60 acre. Extra land comes in either of two types (as determined by the Respondent). For the type that is part of the subject property, the Respondent makes an adjustment but does not disclose the amount of the adjustment. For that reason, it is not known what the base assessment rate was prior to the extra land adjustment.

Issues:

[4] In the Assessment Review Board Complaint form, filed March 4, 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 was incorrect. There were a number of grounds set out for the alleged incorrect assessment.

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

- 1) Is the Respondent's time adjustment reflective of market changes up to the July 1, 2012 valuation date?
- 2) Is \$252.54 per square foot the correct assessment rate or should it be reduced to \$200.16 per square foot?
- 3) Does the cost approach produce a more accurate assessment?

Complainant's Requested Value: \$1,940,000

Board's Decision:

[7] The Board reduces the assessment to \$2,020,000 (\$208.85 per square foot of building area).

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

[8] The Complainant provided details on three industrial property sales that occurred between October 2009 and June 2012. One of the transactions was rejected by the Respondent because it involved condominium units so the Complainant removed it from the sales analysis. Also, in the original disclosure, the Complainant had not made time adjustments. In its rebuttal evidence and final assessment reduction request, the Complainant removed the offending sale and applied time adjustments to older sales. One of the sales had a site coverage ratio similar to that of the subject (18.62 v. 15.52 percent). The other sale property's ratio was higher (27.51 percent) but not as high as the typical ratio of 30 percent. Sale prices per square foot were almost identical for both properties.

[9] The Complainant made time adjustments by extending the Respondent's adjustment trend line. The Respondent had developed a time adjustment trend line that segregated

adjustments over four trend periods of time from July 2009 to July 2012. There was a positive adjustment for the first period and a negative adjustment for the third. The second and fourth time periods each had a 0.0 percent adjustment. The Complainant observed a downward slope to the trend line for the fourth 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 subject building had been recently completed and the final cost incurred by the building contractor was \$1,268,850 (as at May 2011). The Complainant factored the cost up to a July 2012 amount and then added the land at market value (based on the Respondent's land assessment rates). When summed, the land and building costs indicated a property value of \$1,962,035.

[11] For its final sales comparison valuation, the Complainant relied upon its two remaining sales plus one from the Respondent's evidence. The median and average value rates supported the final requested assessment of \$1,940,000

Respondent's Position:

[12] 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

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

[14] Three sales of southeast Calgary industrial properties were detailed in evidence. One of those properties was in the same market zone as the subject (Foothills 3). The site coverage ratio for one of the properties was almost identical to that of the subject (15.47 v. 15.52 percent). Ratios for the other two properties were slightly higher (22.81 and 22.87 percent). Time adjusted sale prices ranged from \$243.49 to \$302.38 per square foot.

[15] The Respondent stated that most industrial properties are assessed using a sales comparison approach. Only atypical properties are valued by a cost approach. The subject is not an atypical property.

Rebuttal – Surrebuttal:

[16] The Complainant had filed rebuttal evidence within the legislated time period. Typically, the Respondent addresses rebuttal evidence in its closing summary. In this instance, the Respondent requested that it be permitted to file a photograph and an assessment department checklist as surrebuttal. As explained previously in this order, the Board allowed the documents to be entered.

[17] In rebuttal, the Complainant had evidence that indicated that one of the sales relied upon by the Respondent was that of a land parcel prior to the construction of the building. A sales

summary report by a market research company (Realnet) had described the sale as a land sale. The Realnet report did state that development and building permit applications had been made and approved in 2010. The sale occurred in April 2011.

[18] The surrebuttal document R2 is a June 9, 2011 photograph that showed the building as being nearly complete. Exhibit R3 is a checklist used by the assessment business unit to chronicle progress on new developments. It showed building completion at May 1, 2011.

[19] The Complainant held fast to the land only sale but noted that the Respondent's own records showed a total floor area of the building as 17,050 square feet and not the 15,500 square feet used in the sales analysis. This had the effect of reducing the time adjusted sale price from \$243.49 to \$221.35 per square foot.

Board's Reasons for Decision:

[20] During the presentation of evidence, it was found that the floor area of the subject property relied upon by the Complainant (10,205 square feet) was different than the area used by the Respondent (9,692 square feet). The Complainant had obtained the area from the Property Assessment Detail Report (PADR) that is 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. The Board accepts 9,692 square feet as the correct floor area.

[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] Most industrial properties are assessed using a sales comparison approach. The subject property is new but it is also a typical light industrial property. There were sufficient sales of similar properties to apply sales comparison and arrive at a realistic value for the subject. The Board places no weight on the Complainant's cost approach for anything other than a second opinion of value.

[23] Having regard to the disputed sale in evidence from the Respondent, the Board accepts it as an improved property sale. Frequently, a property is purchased as a completed property even though the building has not been constructed. The sale agreement between the parties commits the vendor to complete construction of a specified building. This sale has the

appearance of being that type of sale. The price of \$3,385,000 is far too high for a 2.30 acre vacant lot. The Board accepts the Complainant's argument that the floor area of the building should be 17,050 square feet and not 15,500 square feet as stated by the Respondent.

[24] With time adjustments, two sales from each party were given weight. Since the majority of the sale evidence came from properties with site coverage ratios at or near to that of the subject, no adjustment was necessary for this factor. The median and average of the time adjusted prices supported a rate of \$208.85 per square foot of building area which the Board applied to arrive at the assessment of \$2,020,000 (truncated).

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
4. R2	Respondent Surrebuttal
5. R3	Respondent Surrebuttal

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	SINGLE TENANT	SALES APPROACH COST APPROACH	COMPARABLES