



## **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:**

***GPM REAL PROPERTY (10) LTD., COMPLAINANT  
GPM (10) GP INC., COMPLAINANT  
C/O HUMFORD MANAGEMENT INC., COMPLAINANT  
(as represented by AEC Property Tax Solutions)***

**and**

***The City Of Calgary, RESPONDENT***

**before:**

***BOARD CHAIR: P. COLGATE  
BOARD MEMBER: B. BICKFORD  
BOARD MEMBER: H. ANG***

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: 200477016**

**LOCATION ADDRESS: 7910 51 STREET SE**

**FILE NUMBER: 71187**

**ASSESSMENT: \$5,930,000.00**

This complaint was heard on 18th day of June, 2013 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, in Boardroom 1.

Appeared on behalf of the Complainant:

- *Brock Ryan, AEC Property Tax Solutions*

Appeared on behalf of the Respondent:

- *James Greer, City of Calgary*

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

[1] The Board derives its authority to make this decision under Part 11 of the Municipal Government Act (the "Act"). The parties had no objections to the panel representing the Board as constituted to hear the matter.

Preliminary Matter:

[2] The preliminary matter raised in File Number 71185, Roll Number 115063000, 6703 30 Street SE was a request for portions of the presentations and the resulting questions be carried forward to the remaining nine hearings before the Board. This request was made jointly by the Complainant and the Respondent.

[3] The Board accepted the request of the Respondent and the Complainant and will carry forward the information received for the hearing File Number 71185 to the following nine hearings:

File	Roll Number	Address
70947	090089004	4616 Manhattan Road SE
71164	077028207	2525 16 Street SE
71167	033001108	4612 6 Street NE
71169	090066291	4319 1 Street SE
71178	034188797	635 46 Avenue NE
71181	033039801	1216 36 Avenue NE
71187	200477016	7910 51 Street SE
71192	116018995	4915 77 Avenue SE
72253	092019702	1607 41 Avenue SE

The Board noted the carrying forward of information does not mean the decisions will be the same for each hearing, for each must stand upon its own merits.

[4] The Board accepted the Complainant's revision of the Assessment Review Board Complaint to reflect only Matter 3 – 'an assessment amount' as the only matter to be placed before the Board.

**Property Description:**

[5] The subject property contains an industrial warehouse (IN0606) constructed in 1998. The structure, rated as 'B' quality, is located at 7910 51 Street SE in the Foothills Industrial area. The structure, situated on a 2.2 acre parcel, has an assessable area of 49,300 square feet, with 5% finish. Site coverage is 51.46%. The land use designation is I-G, Industrial - General. The subject property has been assessed, based upon the Direct Comparison Approach, for \$5,935,693.00 (rounded to \$5,930,000.00) or a rate per square foot of \$120.40.

**Issues:**

[6] The primary issue placed before the Board is one of equity with comparable properties in the vicinity of the subject property.

[7] The Complainant submitted analysis based upon the three approaches to value – direct comparison approach, income approach and cost approach – to present a prima facie case for the inequity of the assessment market value. The Board noted the Complainant's requested assessment was based upon an equity argument with similar properties.

**Complainant's Requested Value: \$5,231,000.00 (C1, Pg.139)**

**Board's Decision:**

[8] The Board, upon review of the evidence submitted by the Complainant and the Respondent, found sufficient evidence was provided to justify a change to the assessment of the property under complaint.

[9] The Decision of the Board was to amend the assessment to **\$5,110,000.00**

**Legislative Authority, Requirements and Considerations:**

[10] In the interest of brevity, the Board will restrict its comments to those items the Board found relevant to the matters at hand. Furthermore, the Board's findings and decision reflect on the evidence presented and examined by the parties before the Board at the time of the hearing.

[11] Both the Complainant and the Respondent submitted background material in the form of aerial photographs, ground level photographs, site maps and City of Calgary Assessment Summary Reports and Income Approach Valuation Reports.

[12] Both parties also placed Assessment Review Board decisions before this Board in support of their positions. While the Board respects the decisions rendered by those tribunals, it is also mindful of the fact that those decisions were made in respect of issues and evidence that may be dissimilar to the evidence presented to this Board. The Board will therefore give limited weight to those decisions, unless issues and evidence were shown to be timely, relevant and materially identical to the subject complaint.

## **Position of the Parties**

### **Complainant's Position:**

[13] As previously stated, the Complainant presented analysis of the income approach, the direct comparison approach and the cost approach to support their prima facia case that the assessed value was incorrect. A summary of the Complainant's results follows:

Value Type	Approach to Value	Indication of Value
Market	Income Approach	\$4,512,000
Market	Direct Comparison Approach	\$4,512,000
Market	Cost Approach	\$5,227,485
Suggestion of Value	Average (Rounded)	\$4,750,495
	Median (Rounded)	\$4,512,000
Equity Request	Direct Comparison	\$5,231,000

(C1, Pg. 139)

[14] For the Income Approach, the Complainant presented an analysis of seven (7) sales in determination of a requested capitalization rate of 7.79%. (C1, Pg. 18) The seven properties, located in the northeast and southeast quadrants of the city, had sales ranging from 2011-01-31 to 2012-06-20 with capitalization rates, based upon the Complainant's analysis, ranging from 6.21% to 9.75%. The Complainant employed a vacancy rate of 3.0% obtained from third party reports (C1, Pg. 43-59), operating costs of \$3.50 and a non-recoverable allowance of 2.0%. Rental rates were determined through the analysis of 12 leases from 6 properties located in the southeast quadrant of the City of Calgary, with a median value of \$7.13 and an average of \$7.18. The Complainant used a typical rate of \$7.25. (C1, Pg. 41)

[15] The Complainant's Direct Comparison Approach entailed a review of the sale price per square foot for the seven sales with a resulting average of \$86.26 and a median of \$87.17 per square foot. The Complainant used a rate of \$87.12 per square foot with a suggested assessment of \$4,512,950.00. (C1, Pg. 18)

[16] The Complainant employed a Marshall and Swift costing manual to determine the replacement cost of the structure. (C1, Pg. 64) Based upon the details for the subject property, the land was valued at \$1,287,000.00 and the depreciated building at \$3,940,485.00, for a combined value of \$5,227,485.00.

[17] Based upon the results, the Complainant submitted that a prima facia case had been presented to question the validity of the City of Calgary assessment of the subject property. Based upon the findings the Complainant submitted an equity argument for a revised assessment with a suggested value of \$5,231,000.00. (C1, Pg. 140)

[18] The basis for the Complainant's requested assessment was based upon an analysis of four (4) equity comparables of warehouses located in the Eastfield and Foothills Industrial areas, which suggested an average rate per square foot of \$101.00:

Roll Number	Address	Effective Age	Assessable Land Area (sq. ft.)	Total Building Area (sq. ft.)	Floor Area Ratio	Assessment per Square Foot Building Area	2013 Assessment
200477016 (Subject)	7910 46 Ave SE	1998	95,802	51,800	0.54	\$114	\$5,930,000
094203601	4410 46 Ave SE	1999	114,747	65,500	0.57	\$112	\$7,320,000
094220605	4750 43 St SE	2000	184,732	99,615	0.54	\$104	\$10,320,000
094220506	4447 46 Ave SE	2000	191,344	99,832	0.52	\$105	\$10,460,000
097015101	6210 44 St SE	1995	260,495	146,780	0.56	\$83	\$12,210,000
					Average	\$101	
					Median	\$104	
200477016 (Subject Revised)	7910 46 Ave SE	1998	95,802	51,800	0.54	\$101	\$5,231,800

(C1, Pg. 140)

[19] The Complainant submitted a rebuttal document (C2) in which it presented an argument with respect to the analysis of the sales over time, for both the Complainant's and Respondent's sales. As well, an argument was put forward for a further land adjustment for the sales.

### **Respondent's Position:**

[20] The Respondent argued the Complainant had failed to make any time adjustments for the older sales to bring them in line with the July 1, 2012 valuation date and submitted a City of Calgary Assessment Business Unit document on time adjustments for the 2013 industrial properties. (R1, Pg. 63) The Respondent submitted, that use of time adjusted sale prices would result in a higher rate per square foot for the Complainant's sales, as demonstrated in the submitted table of time adjusted sales which produced a median rate of \$88.38 per square foot, higher than the Complainant's value of \$87.12. (R1, Pg. 22)

[21] In response to the Complainant's income approach presentation, the Respondent submitted a review of the leases used by the Complainant to establish the rental rate. The Respondent determined the weighted average of the leases was \$6.12, whereas the complainant employed a rate of \$7.25. (R1, Pg.29)

[22] The Respondent submitted an analysis of the Complainant's sales, with a 'corrected' rental rate of \$6.00, which resulted in a capitalization rate with a 6.61% average and a 6.42% median. (R1, Pg. 30)

[23] The Respondent further submitted an analysis of the Complainant's income approach which indicated the resulting Assessment to Sales Ratio (ASR), based upon the Complainant's values, would have a range of ASR ratios from 0.44 to 1.11, with a median of 0.61, significantly

below the legislated ratio range of 0.95 to 1.05. (R1, Pg. 31)

[24] In response to the Complainant's sales comparables, the Respondent submitted seven sales from the southeast area with time adjusted sale prices per square foot of \$78.22 to \$198.50, with a median of \$143.55. (R1, Pg. 24) The Respondent submitted the subject property, at a rate of \$120.40 per square foot, falls within the range of the sales and is lower than the median value of the sales.

[25] On review of the Complainant's equity comparables, the Respondent noted two of the equity comparables used incorrect areas in the determination of the rate per square foot – 4410 46 Avenue SE was assessed for 60,700 square feet of building area and 4750 43 Street SE was assessed for 99,515 square feet of building area. The subject building areas was also corrected to an assessable building area of 49,300 square feet. The corrections to the areas changed the rate per square foot for the subject property to \$120.40 and the resulting median rate per square foot to \$104.24.

[26] The Respondent submitted two tables, with a total of fifteen (15) equity comparables. The first table was for the Foothills Industrial area and the second table was for the southeast quadrant, both in support of the subject's current assessment. It was argued by the Respondent the subject property falls within the range of rates per square foot for the first equity table and is lower than the equity comparables of the second table.

Roll Number	Address	Effective Age	Assessable Land Area (sq. ft.)	Total Building Area (sq. ft.)	Site Coverage (%)	Finish (%)	Assessment per Square Foot Building Area	2013 Assessment
200477016	7910 51 St SE	1998	2.20	49,300	51.46	5	\$120.40	\$5,935,693
Comparables								
201067402	5049 74 Ave SE	1982	3.76	55,000	30.43	26	\$112.15	\$6,168,183
097012991	6125 51 St SE	1996	3.34	53,186	36.57	3	\$128.08	6,811,881
097011704	3939 54 Ave SE	1980	2.88	51,502	41.07	5	\$105.80	\$5,448,874
097001606	3716 56 Ave SE	1979	2.71	50,578	40.95	31	\$106.82	\$5,402,619
115063000	6703 30 St SE	1974	3.72	50,438	31.16	4	\$110.66	\$5,581,721
201639556	3131 57 Ave SE	1981	3.42	51,536	32.35	13	\$109.50	\$5,643,431
116009192	3700 78 Ave SE	1980	2.41	48,905	32.02	57	\$116.34	\$5,689,823
201816568	4510 76 Ave SE	1980	3.30	45,337	43.44	7	\$114.18	\$5,176,402
Median		1980		51,040	34.46	10	\$111.41	

(R1, Pg. 27)

Roll Number	Address	Effective Age	Assessable Land Area (sq. ft.)	Total Building Area (sq. ft.)	Site Coverage (%)	Finish (%)	Assessment per Square Foot Building Area	2013 Assessment
200477016	7910 51 St SE	1998	2.20	49,300	51.46	5	\$120.40	\$5,935,693
Comparables								
094220407	4792 50 Ave SE	2001	2.01	39,896	45.53	20	\$138.21	\$5,514,092
117007104	8087 54 St SE	2000	1.96	39,996	37.50	41	\$140.05	\$5,601,294
094202702	4975 43 St SE	2000	3.29	46,229	32.04	6	\$140.39	\$6,489,933
200561728	11580 40 St SE	2005	3.04	50,649	35.03	12	\$144.44	\$7,315,834
094203304	4200 46 Ave SE	1999	3.46	52,364	34.7	14	\$140.36	\$7,349,625
097012991	6125 51 St SE	1996	3.34	53,186	36.57	3	\$128.08	\$6,811,881
094219805	4600 46 Ave SE	2003	2.09	54,969	58.08	5	\$120.85	\$6,642,872
Median		2000		50,649	36.57	12	\$140.05	

(R1, Pg. 28)

**Board's Reasons for Decision:**

[27] The Board first notes the continuing problem the City of Calgary has in its published information with respect to the details attributed to the properties in its inventory. The Board found the difference between the City of Calgary website's "Property Assessment Detail Report" and the Assessment Business Unit's "Assessment Explanation Supplement" showed a difference in building areas. The result of this discrepancy created requests made by the Complainant based upon faulty information provided by the City of Calgary. Both the Complainant and the Respondent agreed to use the area supplied by the Assessment Explanation Supplement if adjustments were warranted by the Board. The Board strongly encourages the City of Calgary to resolve this on-going problem which has existed for a number of years.

[28] The Board in its deliberation looked to the Complainant's establishment of a prima facie case, in that the assessed value assigned to the subject property was not reasonable, lacking fairness and equity. While the Complainant employed the three approaches, the Board found a number of flaws in the application of the analysis. In the case of the Direct Comparison Approach, the Complainant provided a simple mathematical analysis of the sale price per square foot. A proper analysis would recognize the differences between the properties for characteristics such as building size, lot size, and site coverage and make adjustments to the sale prices. For the Income Approach, the Respondent raised challenges with respect to the rental rate and the capitalization rate. No issues were raised with the Cost Approach as submitted by the Complainant, except a verbal statement that cost analysis did not always correspond to the market value.

[29] While the Board found existing flaws in the Complainant's presentation on the three approaches to value, there was sufficient evidence to support the review of the assessment.

[30] During the Board's review of the evidence submitted it found the analysis of the ASR's for the sales submitted by both parties showed a constant pattern of falling outside the quality standard range of 0.95 to 1.05 for median assessment ratio. The Board found of the twelve sales reviewed from the evidence that every ASR fell outside the legislated range. The median of the sales was determined to be 1.15, indicating sales were over assessed, as represented by the submitted sample of comparable properties. The Board applied a 10% reduction based upon the displayed over assessment.

[31] The Board, after having reviewed the eighteen different equity comparables submitted by the Complainant and the Respondent and having received insufficient evidence to exclude any of the comparable properties arrived at a median rate per square foot of \$115.26.

[32] The Board in reaching its decision took into consideration the rates for the equity comparable properties and the consistent over assessment of properties based upon the presented sales. The Board finds a revised rate of \$103.73 for 49,300 square feet is an appropriate rate and amends the assessment to \$5,110,000.00.

DATED AT THE CITY OF CALGARY THIS 30<sup>th</sup> DAY OF July 2013.

  
PHILIP COLGATE  
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. C2	Complainant Rebuttal
3. R1	Respondent Disclosure

*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 ADMINISTRATIVE USE**

Subject	Property Type	Property Sub-Type	Issue	Sub-Issue
CARB	Warehouse	Warehouse Single Tenant	Cost/Sales Approach	Equity

**LEGISLATIVE REQUIREMENTS****MUNICIPAL GOVERNMENT ACT****Chapter M-26**

1(1)(n) "market value" means the amount that a property, as defined in section 284(1)(r), might be expected to realize if it is sold on the open market by a willing seller to a willing buyer;

**Division 1****Preparation of Assessments****Preparing annual assessments**

**285** Each municipality must prepare annually an assessment for each property in the municipality, except linear property and the property listed in section 298. RSA 2000 cM-26 s285;2002 c19 s2

**289(2)** Each assessment must reflect (a)the characteristics and physical condition of the property on December 31 of the year prior to the year in which a tax is imposed under Part 10 in respect of the property,

**ALBERTA REGULATION 220/2004****Municipal Government Act****MATTERS RELATING TO ASSESSMENT AND TAXATION REGULATION**

1(f) "assessment year" means the year prior to the taxation year;

**Part 1****Standards of Assessment****Mass appraisal**

**2** An assessment of property based on market value

- (a) must be prepared using mass appraisal,
- (b) must be an estimate of the value of the fee simple estate in the property, and
- (c) must reflect typical market conditions for properties similar to that property.

**Valuation date**

**3** Any assessment prepared in accordance with the Act must be an estimate of the value of a property on July 1 of the assessment year.