

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:

Airstate Ltd. (as represented by Colliers International Realty), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

K. Thompson, Presiding Officer

J. Massey, 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: 054010608

LOCATION ADDRESS: 1420 28 St NE

FILE NUMBER: 71784

ASSESSMENT: \$33,220,000

This complaint was heard on the 29th day of August, 2013 at the office of the Assessment Review Board located at Floor #4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 6.

Appeared on behalf of the Complainant:

- B. Peacock Agent, Colliers International

Appeared on behalf of the Respondent:

- M. Hartmann Assessor, City Of Calgary
- J. Tran Assessor, City Of Calgary

Introductory Matters:

[1] This hearing was postponed from 2013-08-06 due to issues with disclosure. The Complainant sent the disclosure package in on time and produced the email to show it had been sent on that date; however the evidence was not received until 2013, July 22 (issues with the networks during the Calgary floods). The Board was satisfied that the Complainant filed its disclosure on time and postponed the hearing date to allow time for the respondent to review and respond to it. Respondent's date for disclosure was set for 2013, August 20, rebuttal dates were set for 2013, August 27th and the hearing rescheduled for 2013, August 29th.

Property Description:

[2] The subject property is a multi building industrial warehouse site located in the Franklin Industrial Park. The total assessed leasable area is 240,525 square feet (sf) comprised of nine buildings located on a site of 15.42 acres. The largest building, some 78,300 sf was built in 1978 and renovated to an effective year of construction of 1991, the other eight buildings, all around 20,000 sf, were built in 1998. All buildings have a B quality. The property is zoned Industrial-General (I-G)

[3] The subject property is assessed based on the Sales Comparison Approach to Value with a per square foot (psf) rate of \$105.92 for the 78,300 sf building and between \$152.75 and 154.56 for the other eight buildings. The assessed value is \$33,220,000.

Issues:

[4] The subject property's market value would be better represented if assessed using the Income Approach to value rather than the Sales Comparison Approach used by the City of Calgary.

Complainant's Requested Value: \$27,570,000

Board's Decision:

[5] Assessment is confirmed at \$33,220,000

Legislative Authority, Requirements and Considerations:

[6] The *Municipal Government Act*, Section 460.1(2), subject to Section 460(11), a composite assessment review board has jurisdiction to hear complaints about any matter referred to in Section 460(5) that is shown on an assessment notice for property, other than property described in Subsection 460 (1)(a).

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

[7] The Complainant contends that this property is very unique and there are no comparable properties of nine building sites to adequately capture its characteristics using the Sales Comparison approach to value. The City has assessed this property comparing it to sales of industrial sites similar to each individual building on this property, adding those values together and applying a multi-building factor to adjust for the fact that the property would sell as a single parcel. The Complainant contends that this property would compete in the market place with other properties around the same total floor area regardless of the number of buildings and there are no comparable sales available to accurately reflect its market value.

[8] This property is an income producing entity, completely leased out to a number of different tenants. It is being run as a business by the owners and therefore the value should be determined based on the Income Approach.

[9] Some physical issues were also brought forward by the Complainant, such as:

- 1) no access to the rear of the property as it is bounded by train tracks,
- 2) onsite maneuverability is poor,
- 3) a portion of the site was not useable for a building or for a roadway,
- 4) the site is an irregular shape.

[10] Photos were submitted to show potential maneuverability problems and an overhead map was submitted to show the train tracks, lot shape and unused portions of the lot.

[11] Some of the property details were also questioned by the Complainant; the size used by the City was not the size reflected on the rent rolls, and the year of construction of the largest building was slightly different. The June 30 2013 rent roll was submitted into evidence to show a discrepancy of approximately 40 sf. The Complainant asked the City to check its building areas for 2014.

[12] The Complainant presented an Income Model for the subject property. Factors were derived from a number of sources including the actual from the subject property

- 1) Seven leases within the analysis period were submitted by the Complainant to determine the rent. These represented 25% of the total building area with a median value of \$8.50 psf and a range of \$6.75 - \$11.00 [pg 14, C-1].
- 2) The actual unrecovered Op costs for each building amounted to \$5.00 across the entire site. Actual values were included in the evidence [pg. 14, C-1].
- 3) Non-recoverable's were taken at 1%.

- 4) Three sales of industrial properties over 100,000 sf, zoned I-G were used to determine an appropriate capitalization rate with a range of 6.42% to 7.20% and a median of 6.75% [pg. 15, C-1a]. Sales summary sheets were included in the evidence on the three sales [pg. 29-31, C1b]. The Complainant contends these sales are highly comparable to the subject, in the same area, two are B quality and one an A-similar in size but each only has a single building, sale three is post facto (2012, July 10) however the value would have been determined for that property well before the transfer date so the value would represent the market.
- 5) Vacancy rates were taken from Colliers International Market Report, Q2 2012 using the City average for July 2012 of 5% [pg. 33, C1b].
- 6) Total value conclusion was \$ 27,572,597.

Respondent's Position:

[13] The Respondent's position is that while there are insufficient sales of multi-building properties similar to the subject property, there are more than enough single building sites to compare to the individual buildings on this site. The total site is then given an adjustment downward to reflect the fact these buildings are on a single site. The Respondent contends that this method more appropriately reflects the individual and unique characteristics of each building. Valuing all of the nine buildings as one aggregate area would ignore the differences in the individual buildings on the property.

[14] With regards to the size of the property the Respondent states that the buildings were physically inspected and measured in 2010 which agrees with the area on the assessment record. Evidence was submitted on the sizes of that physical inspection [pg. 41-49, R-1].

[15] The Respondent claims that there is not an issue with maneuverability on the property and produced photos to show the wide roadways in the areas where the truck bays exist. This property is fully rented and access does not appear to be an issue. The Respondent state that no actual evidence or value loss was presented by the Complainant to support the concern regarding the lot shape and the un-useable portion of land.

[16] In response to the Complainant's Income Approach the Respondent noted that the first sale used in the capitalization study was about half the size of the subject property, the second sale was listed on RealNet as a non-arms length transaction and the third sale was valued as a suburban office, not a warehouse, which would rent differently than the subject and was again almost half the size of the subject [pg. 26-28, R-1].

[17] The Respondent questioned the Complainant as to why they would have used the city wide vacancy rate from Colliers Market Report and not the NE rate of 2%, or the actual vacancy of the property of 0%. No reason was given.

[18] The Respondent produced four large building equity comparables and four smaller building comparables.

[19] Several Board Decisions were presented for review and support of the Respondents position.

Board's Reasons for Decision:

[20] The Board reviewed all the information and argument presented by both parties. The Board agrees that this property is unique and to determine its market value, no matter what method used, would be difficult.

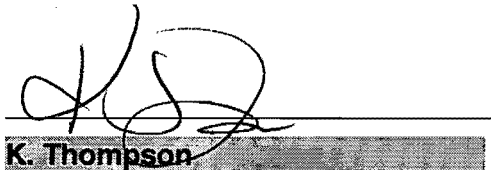
[21] In review of the Respondent's argument for use of the Sales Comparison Approach the Board does accept there is merit in the fact that individual characteristics can be accounted for. What causes issue for the Board is the lack of any market evidence as to what the adjustment would be to reflect the fact that the subject is a single site and the value is derived from multiple sites. The Board was not convinced that the property was over assessed but there was a lack of evidence to prove this.

[22] The Board is not averse to the use of the Income Approach for this property. Given the fact that it is fully rented out and is an income producing property there may be merit in this approach. The Board however found the valuation parameters used by the Complainant flawed, with a mixture of typical and actual values.

[23] The Board was given no information as to the Complainant's claim that there was a loss in value due to the shape of the lot, nor was evidence provided as to the size of the unusable land and the effect this would have on the overall value.

[24] The Complainant failed to prove its case and the assessment is confirmed at \$33,220,000.

DATED AT THE CITY OF CALGARY THIS 26 DAY OF September 2013.



K. Thompson

Presiding Officer

APPENDIX "A"**DOCUMENTS PRESENTED AT THE HEARING
AND CONSIDERED BY THE BOARD:**

NO.	ITEM
1. C1a and C-1b	Complainant Disclosure
2. 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.*

Property Type	Property Sub-Type	Issue	Sub issue
Office	High Rise (unit ownership)	Sales Approach	Equity Comparables