

## **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:**

***Imperial Oil Limited (as represented by Ryan Property Tax Services ULC), COMPLAINANT***

**and**

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

**before:**

***B. Horrocks, PRESIDING OFFICER***

***P. Pask, BOARD MEMBER***

***A. Zindler, 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:

<b>ROLL NUMBER:</b>	<b>902004910</b>
<b>LOCATION ADDRESS:</b>	<b>575 PALMER RD NE</b>
<b>FILE NUMBER:</b>	<b>71803</b>
<b>ASSESSMENT:</b>	<b>\$20,100,000</b>

This complaint was heard on the 8th day of August, 2013 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 5

Appeared on behalf of the Complainant:

- L. Shimek (Ryan Property Tax Services ULC)

Appeared on behalf of the Respondent:

- K. Buckry (City of Calgary)

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

- [1] There were no concerns with the Board as constituted.
- [2] The parties have discussed the file.
- [3] Both parties have visited the site.

**Property Description:**

[4] The subject property is an 8.76 acre parcel located airside at the Calgary International Airport. The site is improved with three warehouse/hangar structures that total 148,195 square feet (s.f.) of rentable area and a 3,047 s.f. storage building. The design of the main building is basically two rectangular-shaped warehouses that typically house executive jets, planes and helicopters with an adjoining rectangular-shaped building situated between the two other warehouses that contains offices and a passenger lounge area. Passengers use the lounge to arrive and depart the International Airport. In addition to hangar space, outdoor parking for aircraft is also available. The improvements were constructed in 1969 and the early 1980's, and the adjoining passenger and office areas above were renovated in 2007. The subject is assessed using the Income Approach to Value with a rental rate of \$12.00/s.f. for the main building, \$7.50/s.f. for the storage building, and a capitalization (cap) rate of 8.00%.

**Issues:**

[5] The Assessment Review Board Complaint Form identified "an assessment amount" as the Matters For A Complaint. In addition, the Complaint Form contained 3 Grounds for Appeal. At the outset of the hearing, the Complainant advised there were two outstanding issues, namely: the assessed rental rate for hangar space and equity.

**Complainant's Requested Value:** \$14,634,000 (Complaint Form)  
\$14,664,000 (Hearing)

**Board's Decision:**

- [6] The 2013 assessment is confirmed at \$20,100,000.

**Legislative Authority, Requirements and Considerations:**

The Composite Assessment review Board (CARB) derives its authority from the Municipal Government Act (MGA) RSA 2000 s.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(1)(a).

MGA requires that

- 293(1) In preparing an assessment, the assessor must, in a fair and equitable manner,
- (a) apply the valuation and other standards set out in the regulations, and
  - (b) follow the procedures set out in the regulations

Matters Relating to Assessment and Taxation Regulation (MRAT) requires that

- 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.
- 4(1) The valuation standard for a parcel of land is
- (a) market value, or
  - (b) if the parcel is used for farming operations, agricultural use value.

**Board's Decision in Respect of Each Matter or Issue:**

**Issue:** What is the rental rate to be utilized in the Income Approach to Value for determining the market value for assessment purposes?

**Complainant's Position:**

[7] The Complainant's Disclosure is labelled C-1.

[8] The Complainant submitted the subject is an industrial warehouse that is used for aviation purposes.

[9] The Complainant, at page 32, provided a table titled Calgary Industrial Leases. The table contains information on 17 comparables located on the east side of the City with leases commencing in 2011 and 2012. There is one comparable lease (index 13) located at the Calgary International Airport, as is the subject. The Complainant advised that no weight was placed on the last two comparables as they were significantly larger than the subject. The net rent rates of the remaining 15 leases ranged from \$3.50 to \$7.95/s.f. with an average net rent rate of \$5.92/s.f. and a median net rent rate of \$6.10/s.f.

[10] The Complainant submitted that more weight should be given to comparable Index 10 due to its more similar size and age to the subject and Index 13 due to its similar airport location. The net rental rate of Index 10 is \$5.35/s.f. while the net rental rate of Index 13 is \$6.25/s.f. in year 1 and 6.50/s.f. in years 2 and 3. The Complainant requested the net rental rate of \$6.25/s.f. be applied to the assessment.

**Respondent's Position:**

[11] The Respondent's Disclosure is labelled R-1.

[12] The Respondent submitted that industrial warehouses are completely unlike airport hangars. An airport hangar is a special purpose building that typically has an above average clear wall height in order to accommodate the tail height of the varied aircraft that will access the hangar. In addition, all hangars have airside access with an apron. An apron facilitates the maneuvering of airplanes into and out of a hangar, or is used to park, unload or load, service, refuel, or board an aircraft.

[13] The Respondent, at page 45, provided a table titled YYC Leases (Hangar Space). The Respondent noted the first 7 leases in the table were from within the International Airport and were provided only as an indicator of value as the leases were Partial Gross Net Rent because the tenants pay the utilities.

[14] The next 5 leases (within the shaded area in the table) were utilized to determine the typical net lease rate to be applied for assessment purposes. Of those 5 leases, the lease start dates range from 2006 to 2012. The lease rates range from \$12.40 to \$25.00/s.f. with an average lease rate of \$16.09/s.f. and a median lease rate of \$13.01/s.f. The Respondent noted the subject is assessed below the range at the rate of \$12.00/s.f.

[15] The remaining 12 leases in the table are from within the subject and range in area from 572 to 7,768 s.f. with lease rates ranging from \$13.45 to \$22.00/s.f. The Respondent noted they are all higher than the \$12.00/s.f. assessed rental rate.

[16] The Respondent asserted there is no market evidence to support declining economies of scale for larger hangars. Aircraft hangars do experience the opposite or reverse economies of scale whereby larger spaces rent for higher rates/s.f.

**Complainant's Rebuttal Position:**

[17] The Complainant's Rebuttal is labelled C-2.

[18] The Complainant submitted that the Respondent's evidence is incomplete, insufficient and does not reflect market forces.

[19] The Complainant, at page 19, provided an analysis of the subject premises sublease rate components to demonstrate that the sublease rate approaches \$9.91/s.f. and when sales concessions for fuel service and maintenance are removed the net rent equates to \$6.45/s.f. which supports the requested rate of \$6.25/s.f.

[20] The Complainant, at page 22, provided a table titled YYC Tenant Leases to demonstrate that there are a number of components that make up the overall rental rate.

[21] The Complainant, at page 27, provided a table wherein it calculated the percentage size of the comparables to the subject, noting the 5 comparables utilized to establish the assessed rate of \$12.00/s.f. are significantly smaller than the subject. The Complainant argued there was no recognition of "economies of scale" that would accrue to the subject, whereby a larger property would have a lower rate/s.f. than a smaller one.

**Board's Decision:**

[22] The rental rate to be used in the Income Approach to Value for determining the market value of the subject property for assessment purposes is \$12.00/s.f.

**Issue:** Is the subject assessment equitable?

**Complainant's Position:**

[23] The Complainant, at page 43(C-1), provided a table titled Equity Analysis – Skyservice Business Aviation. The table contains information on 6 comparables within the Airport Neighbourhood with building areas ranging from 80,711 to 228,407 s.f. The Complainant acknowledged that comparables Index 2 and Index 4 are not "airside". The Complainant noted the assessments/s.f. ranged from \$96 to \$131 while the subject is assessed at the rate of \$133/s.f.

[24] The Complainant submitted the most weight should be placed on Index 5 which is assessed at the rate of \$96.00/s.f., and if that rate was applied to the subject, it would result in a market value of \$14,519,232.

**Respondent's Position:**

[25] The Respondent, on page 80, provided a table titled 2013 Equity Comparable Report for Airport Hangars noting they are all assessed at the rate of \$12/s.f. The Respondent advised there are two rates applied to airport hangars. Older, unrenovated hangars as per the hangar described on page 44, are assessed a market rent of \$11.00/s.f. while newer or renovated hangars such as the subject are assessed a market rent of \$12.00/s.f.

[26] The Respondent, on page 42, provided the 2013 Calgary Airport – Property Assessment Explanation Summary noting that the Complainant's best comparable (Index 5) which is located at 1441 Aviation Park NE actually has a net rentable area of 84,163 s.f. because the Complainant had not taken into consideration an exempt area of 34,135 s.f. occupied by Stars Air Ambulance. When the area is corrected, the assessment/s.f. for the best comparable is \$134/s.f. while the assessment/s.f. of the subject is \$133/s.f.

[27] The Respondent, on page 43, provided the 2013 Calgary Airport – Property Assessment Explanation Summary noting that the Complainant's comparable (Index 3) which is located at 660 Palmer RD NE actually has a net rentable area of 75,360 s.f. When the area is corrected, the assessment /s.f. is \$134 compared to the subject assessment/s.f. of \$133.

**Complainant's Rebuttal Position:**

[28] The Complainant submitted the City has not supplied any market evidence to support the notion that 1.41 acres would lease for the same rate as premises with 21.27 acres of land for use.

**Board's Decision:**

[29] The assessment is equitable.

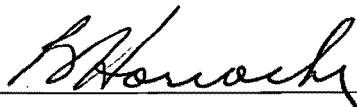
[30] The 2013 assessment is confirmed at \$20,100,000.

**Board's Reasons for Decision:**

[31] The Board finds that airport hangars are distinct from industrial warehouses. Hangars are in secure areas and are highly specialized custom structures that vary in design and use as dictated by the type of aircraft being stored or serviced. The Respondent's evidence is more compelling as it is most relevant to the subject airport hangar. The Board confirms the rental rate of \$12.00/s.f. to be applied in the Income Approach to Value for assessment purposes.

[32] The Board finds that, when the corrections are made to the Complainant's equity chart, the evidence of both parties confirms the assessment of the subject is equitable.

DATED AT THE CITY OF CALGARY THIS 28 DAY OF August 2013.

  
B. Horrocks

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. 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 Administrative Use

<b>Property Type</b>	<b>Property Sub-Type</b>	<b>Issue</b>	<b>Sub-Issue</b>
Warehouse	Airport Hangar	Income Approach	Rent rate & Equity