



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:

***First Street Holdings Ltd. (as represented by Linnell Taylor Assessment Strategies),
COMPLAINANT***

and

The City Of Calgary, RESPONDENT

before:

***Board Chair; J. Zezulka
Board Member; E. Reuther
Board Member; P. McKenna***

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: 101016905

LOCATION ADDRESS: 5709 - 2 Street SE

FILE NUMBER: 71970

ASSESSMENT: \$27,900,000

This complaint was heard on 18 day of September, 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. Mayer*

Appeared on behalf of the Respondent:

- *J. Tran*
- *L. Wong*

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

- (1) There were no procedural or jurisdictional matters raised by either party.

Property Description:

(2) The property consists of an industrial or commercial / retail project, comprised of nine buildings, located in the Manchester industrial area in southeast Calgary. The total assessable building area is 162,279 s.f.. Individual building sizes range from 5,225 to 49,274 s.f. Interior finish ratios of the buildings ranges from 17 to 100 per cent. Construction dates vary from 1955 to 1999. Six of the buildings, totalling 78,136 s.f., are pre-fabricated metal structures. The site area is 9.563 acres. Site coverage is 34.01 per cent.

Issues / Appeal Objectives

- (3) The subject is currently being assessed using the direct comparison approach. The current assessment reflects the following assessed values;

<u>Building</u>	<u>Size</u>	<u>Assessed Value /s.f.</u>
1	49,274 s.f.	\$115.85
2	13,459 s.f.	\$197.42
3	13,950 s.f.	\$195.87
4	14,680 s.f.	\$195.29
5	5,225 s.f.	\$237.11
6	29,644 s.f.	\$180.14
7	14,522 s.f.	\$193.29
8	10,150 s.f.	\$213.38
9	11,375 s.f.	\$209.83

The primary issue brought forward by the Complainant is that the subject property is incorrectly classified by the City, and as a result the assessment is incorrect. The City classifies the property as an industrial property, and the current assessment is derived using the sales comparison approach. The Complainant maintains that the property should be classified as a commercial property, and should be valued using the income approach.

Complainant's Requested Value:

- (4) \$25,198,000

Board's Decision:

- (5) The assessment is reduced to \$25,380,000.

Legislative Authority, Requirements and Considerations:

- (6) This Board derives its authority from section 460.1(2) of the Municipal Government Act, being Chapter M-26 of the revised statutes of Alberta.

- (7) Section 2 of Alberta Regulation 220/2004, being the Matters Relating to Assessment and Taxation Regulation (MRAC), states as follows;

"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"

- (8) Section 467(3) of the Municipal Government Act states;

"An assessment review board must not alter any assessment that is fair and equitable, taking into consideration

(c) the assessments of similar property or businesses in the same municipality."

- (9) For purposes of this Complaint, there are no extraneous requirements or factors that require consideration.

Position/Evidence of the Parties

- (10) The Complainant submitted a rent roll to illustrate the argument that the subject was primarily a retail centre. The roll contained 19 tenants. The Complainant determined that 77 per cent of the total space is occupied by retail and quasi-retail tenants, and the remaining 33 per cent was occupied by office tenants.

- (11) The average rent for the project was shown at \$9.74 per s.f. for the occupied space. Including the vacant space, the overall average rent is \$9.22 per s.f. (C1, page 10)

- (12) The land use designation for the subject is C-Cor3. The Complainant presented a map showing nine properties that are in close proximity to the subject, and are designated C-Cor3 (C1-page 11). All of these properties are assessed using the income approach.

- (13) Within the Land Use Bylaw, the following appears;

" The Commercial Corridor 3 District is intended to be characterized by;

(c) locations in industrial areas to accommodate mid-scale retail and medium to large eating and drinking uses;"

- (14) The Complainant also presented evidence regarding recent leasing activity at the subject property, as well as leasing comparables C1 pages 12 to 15).

- (15) On the basis of the data, the Complainant adopted rents in the various size categories

as follows;

"Big Box"	\$12.50 per s.f. (based on one comparable)
Office space	\$16.00 per s.f. (based on two comparables)
CRU 1,001 to 2,500 s.f.	\$10.00 per s.f. (based on four comparables)
CRU 2,501 to 6,000 s.f.	\$10.00 per s.f. (based on four comparables)
CRU 6,001 to 14,000 s.f.	\$11.00 per s.f. (based on one comparable)

(16) In addition, the Complainant testified that he relied heavily on actual leases within the subject to establish rents for the CRU space.

(17) For the derivation of the capitalization rate, the Complainant relied on the assessments of eight properties in the vicinity of the subject that are designated C-Cor 3, and are assessed using the income approach. The capitalization rate adopted was 7.00 per cent.

(18) Finally, the Complainant referred to eight properties that the Complainant felt were similar to the subject, all of these were assessed using the income approach. The Complainant argues that since these properties are similar to the subject in terms of use, then the subject should be assessed in a similar manner.

(19) The Respondent explained that the subject was assessed using the sales approach because the property was classed as an industrial complex., and all industrial properties have been assessed in a similar manner for the 2012 assessment year.

(20) In addition, the Respondent stated that each of the subject buildings was valued individually, and a multi-building adjustment was applied to account for the aggregate size of the subject as a single holding. According to the Respondent, a multi-building adjustment is a downward adjustment applied to all multi-building properties to reflect the fact that these properties tend to sell for less per unit than the aggregate selling price of individual properties with the same or similar leasable areas.

(21) The Respondent did not reveal the quantum of the multi building adjustment, stating that it was contained in the "model".

(21) The Respondent submitted eleven industrial comparable properties which the Respondent used to derive relative indicators for the subject (R-1, page 40). The only visible adjustment made to the comparables was a time adjustment.

(22) The comparable properties were separated into four size groupings to be used for comparison to the various sized buildings on the subject property. The City's assessment of each of the individual subject buildings is based on the time adjusted selling prices of the data.

(23) In response to the Complainant's position, the Respondent observed that the subject's assessment would be 'even higher' if the City had used the income approach, rather than the sales comparison approach.

Board's Reasons for Decision

(24) In the opinion of this Board, nothing of significance hinges on the categorization of the property. Whether the property is classified an industrial property or a commercial property should have no significant impact on the final outcome.

(25) As for the Complainant's argument that income capitalization is the preferred method of valuation, this Board will not identify a preference as to which valuation approach should be used to determine the assessed value of any property. It is the assessed value that this Board is authorized to adjudicate. If any party can satisfy the Board, to the extent required by law, that in application of any applied approach to value errors have been made that have resulted in an incorrect assessed value, then it is those errors, supported by market based evidence, that should be given consideration. That is not to say that an alternative method of valuation cannot be applied. However, any alternative method must be as equally well founded in market evidence as the method already being employed.

(26) This Board is not convinced that the Complainant's income calculations have produced a more credible indication of market value than could be obtained using the sales comparison approach.

(27) Having said that, the Board cannot find any evidence that the Respondent's multi building adjustment has actually been applied. The assessed values for the subject buildings, which are extracted from the time adjusted per s.f. values of the Respondent's comparables, do not reflect any consistent further reduction in the assessed rates, as illustrated in the following table;

<u>Time adjusted comparables</u>	<u>Subject Building No..</u>	<u>Assm't per s.f.</u>
<u>Per s.f. range</u>		
\$235.30 - \$268.07	Bldg. 5;	\$237.11
\$200.97 - \$217.66	Bldg. 8	\$193.29
	Bldg. 9	\$209.83
\$201.82 - \$287.90	Bldg. 2	\$197.42
	Bldg. 3	\$195.87
	Bldg. 4	\$195.29
	Bldg. 7	\$193.29
\$157.03 - \$182.46	Bldg. 1	\$115.85
	Bldg. 6	\$180.14

(28) The Respondent asserts that the adjustment is contained in the "model". That might very well be so. However, that assertion is not supported by the evidence.

(29) This Board is convinced that a multi building adjustment should be applied. However, the Respondent's treatment of the data, and the values concluded from that data, indicate that the adjustment has not been applied.

(30) Neither party offered any specific evidence as to the quantum of a multi building adjustment. The Board is left with the only evidence available, which is a 2011 CARB decision, wherein the panel referenced multi building adjustments (R-1, page 71). In that decision, the Board found that the average reduction for 36 such properties was in the order of 9.47 per cent, and the median reduction was 8.86 per cent. This Board adopts 9.00 per cent as being appropriate.

(31) Applying a 9.00 per cent reduction to the current assessment produces a revised assessment of \$25,389,000, truncated to \$25,380,000.

DATED AT THE CITY OF CALGARY THIS 30th DAY OF October 2013.



Jerry Zezulka

Presiding Officer

APPENDIX "A"

**DOCUMENTS PRESENTED AT THE HEARING
AND CONSIDERED BY THE BOARD:**

NO.	ITEM
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| 1. | C1 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.*

For MGB Administrative Use Only

Decision No. CARB 70246P/2013			Roll No. 094220407	
<u>Subject</u>	<u>Type</u>	<u>Issue</u>	<u>Detail</u>	<u>Issue</u>
CARB	Industrial	Market Value	N/A	Valuation method