

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:

Telsec Property Corporation/ Dallas Development Corporation Inc.
(as represented by Altus Group Ltd.), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

B. Horrocks, PRESIDING OFFICER
J. Rankin, BOARD MEMBER
J. Pratt, 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: 757092622

LOCATION ADDRESS: 16 SHAWVILLE RI SE

FILE NUMBER: 72453

ASSESSMENT: \$1,540,000

This complaint was heard on the 30th day of October, 2013 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 8

Appeared on behalf of the Complainant:

- B. Neeson (Altus Group Ltd.)
- D. Main (Altus Group Ltd.)

Appeared on behalf of the Respondent:

- A. Hendrata (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 Complainant has visited the site, while the Respondent has not.
- [3] The parties have not discussed the file.
- [4] There were no preliminary matters. The merit hearing proceeded.

Property Description:

[5] The subject property is a 0.89 acre parcel located in the Shawnessy community in SE Calgary. The site is improved with a 5,524 square foot (sf) freestanding Car Wash, commonly referred to as the Shawnessy – Wand Wash, that was constructed in 1998 and is classified as "D" quality. The subject is assessed using the Cost Approach to value. The improvements are valued using Marshall & Swift Replacement Costs and the land component is determined using the parcel size and the 2013 Non-Residential Land Rates for C-N zoned lands. The land value receives a -25% adjustment for a Shape Factor Influence.

Issues:

[6] An "assessment amount" and "an assessment class" were identified on the Assessment Review Board Complaint Form as the matters that apply to the complaint. At the outset of the hearing, the Complainant advised that there was one outstanding issue, namely: "The subject is a fully functioning Car Wash that has been incorrectly assessed on the Cost Approach rather than an Income Approach. The subject should be assessed with the typical income parameters for Car Washes in the City of Calgary".

Complainant's Requested Value: \$1,050,000 (Complaint Form)
\$1,140,000 (Hearing)

Board's Decision:

- [7] The 2013 assessment is confirmed at \$1,540,000.

Legislative Authority, Requirements and Considerations:

The Composite Assessment Review Board (CARB) derives its authority from the Municipal Government Act (MGA) RSA 2000, 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(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 market value for assessment purposes?

Complainant's Position:

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

[9] The Complainant submitted that the subject property is part of a Power Centre, is income producing and should be valued using the Income Approach to value.

[10] The Complainant, at pages 31 through 46, provided 3 examples of Car Washes that are being assessed using the Income Approach to value, with market net rental rates of \$13.50 psf.

[11] The Complainant, at page 50, provided a table titled Lease Comparables 'Car Wash'. The table contains details of 2 leases with lease start dates of Oct 1, 2010 and September 16, 2011. The lease rates are \$17.72 and \$13.50 psf with an average and median lease rate of \$15.61 psf. The Complainant requested the lease rate of \$13.50 psf to be applied in the assessment.

[12] The Complainant, at page 51, provided the Income Approach Valuation for the neighboring parcel (Shawnessy Village Shopping Centre). The Complainant submitted that the Car Wash should be assessed using the market net rent rate of \$13.50 psf and the other factors (Vacancy rate of 2.00%, Operating Costs of \$8.00 psf, Non Recoverables of 1.00% and Capitalization rate of 6.25%) for the neighboring Shopping Centre, in the Income Approach, to determine the market value.

[13] The Complainant, at page 95, provided the Income Approach Valuation in support of its requested assessment of \$1,140,000.

Respondent's Position:

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

[15] The Respondent submitted that all Car Washes, on separate titles, are assessed using the Cost Approach to value.

[16] The Respondent, at page 11, provided Marshall & Swift calculations noting the depreciated cost of the improvement (Car Wash) is \$435,467.

[17] The Respondent, at page 25, provided a table titled 2013 Commercial Land Values, noting the subject is C-N Land Use Designation. The table contains the land rates to be used to calculate the Land Value component for the Cost Approach.

[18] The Respondent, at page 27, provided a table titled 2013 C-N Sales. The table contains details of 7 sales that occurred in the period October 2, 2009 to December 20, 2011. The sales were used to develop the C-N Commercial Land Rates.

[19] The Respondent, at page 28, provided the Land Value calculation. After applying a -25% Shape Factor Influence, the land value was calculated to be \$1,138,427.

[20] The Respondent, at page 15, provided the 2013 Assessment Explanation Supplement noting the Land Value of \$1,138,427 and Improvement Value of \$405,546 resulting in a Land and Building Value of \$1,543,973 and a 2013 Market Value of \$1,540,000.

[21] The Respondent, at pages 118 to 158, provided 21 examples of Car Washes, with the same "Subproperty use" and no other CRU Spaces, noting they are all valued using the Cost Approach.

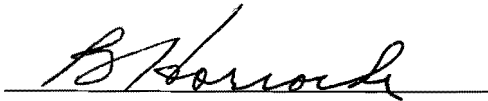
Board's Reasons for Decision:

[22] The Act does not specify which Approach to use. Both Approaches should tend to support each other, which in this case, they do not. The Board finds the Cost Approach provides the better estimate of market value. The Board notes the Income Approach produces a market value of \$1,140,000 which barely exceeds the Land Value only of \$1,138,000.

[23] Car Washes are income producing properties, but they do not trade frequently on the market. The Income Approach requires reliable or meaningful income and expense data. Here the Board finds there is no reliable market information for the other factors used in the Income Approach, such as operating costs, vacancy and capitalization rate. It is inappropriate to take the components of value from one set of properties (for example, Shopping Centre CRU units) and apply them to a different set of properties (for example, freestanding Car Washes) as the Complainant has done.

[24] The market value is confirmed at \$1,540,000.

DATED AT THE CITY OF CALGARY THIS 22 DAY OF November 2013.



B. Horrocks

Presiding Officer

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

NO.	ITEM
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 Administrative Use Only

Property Type	Property Sub-Type	Issue	Sub-Issue
Retail	Stand Alone	Market Value	Cost or Income Approach