



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:

Baramy Investments Ltd. (as represented by Altus Group Ltd.), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

Board Chair; J. Zezulka
Board Member; A. Huskinson
Board Member; D. Steele

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: 090083908

LOCATION ADDRESS: 421 - Manitou Road SE

FILE NUMBER: 72645

ASSESSMENT: \$7,550,000

This complaint was heard on 28 day of October, 2013 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 3.

Appeared on behalf of the Complainant:

- *D. Mewha*

Appeared on behalf of the Respondent:

- *T. Luchak*

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 complex, comprised of two buildings, located in the Manchester industrial area in southeast Calgary. The total assessable building area is 53,900 square feet (s.f.). One of the buildings is 29,900 s.f. with 50 per cent interior finish. The second building is 24,000 s.f. with 28 per cent interior finish. Both buildings were constructed in 1968. The land area is 0.65 acres. Site coverage is 25.94 per cent.

Issues / Appeal Objectives

- (3) The subject is currently being assessed using the sales comparison approach. The assessment is \$138.43 per s.f. for the 29,900 s.f building, and \$142.29 per s.f. for the 24,000 s.f. building.
- (4) The Complainant does not take issue with the valuation method. However, the Complainant asserts that the assessment does not properly reflect market value, and that the aggregate assessment is inequitable with the assessments of similar and competing properties.
- (5) The Complainant also takes issue with the City's treatment of properties that have multiple buildings on a single parcel

Complainant's Requested Value:

- (6) \$5,300,000

Board's Decision:

- (7) The assessment is reduced to \$5,300,000.

Legislative Authority, Requirements and Considerations:

(8) 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.

(9) 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"

(10) 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."

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

Position/Evidence of the Parties

(12) In support of his request, the Complainant presented eight sales comparables(C1, page 13). The time adjusted selling prices range from \$87 to \$157 per s.f.. The average is \$107, and the median is \$98. The median site coverage is 43 per cent, or about one and a half times as high as the subject. The subject is older than all but one of the data. The subject's interior finish ratio is twice as high as the median of the data.

(13) The Complainant stated that No. '2' of the data was 'probably' the best comparable. This property is a 65,084 s.f. industrial property that sold in April, 2012, for a time adjusted selling price of \$6,400,000. (This same property is assessed, about three months after the sale date, at \$7,460,000). The time adjusted selling price is \$98 per s.f..

(14) The Complainant also submitted seven equity comparables. Assessments per s.f. range from \$95 to \$115 per s.f.. The median is \$100.

(15) Of the Complainant's equity comparables, the only multi-building property is at 7210 Blackfoot Trail SW. That property is 25 per cent larger than the subject, but has virtually the same site coverage, and interior finish ratio. The comparable is three years newer than the subject.

(16) The Respondent spent considerable effort attempting to discredit the Complainant's sales comparables on the basis that a "site coverage adjustment" would be required to align the comparables to the subject in terms of site coverage ratios. However, extra land is only of benefit to a property owner if the land can be developed or subdivided, which is not always the case. No evidence was introduced to illustrate the developability, or lack, of any of the comparable sites, or the subject for that matter. Without that evidence, this Board cannot be in a position to judge the validity of the analysis conducted.

(17) The Respondent also submitted eight industrial sales to demonstrate the "economies of scale" of larger buildings compared to smaller ones. The Respondent's position is that larger buildings sell for less than smaller buildings on a per s.f. basis, all else being equal. The Board agrees. However, that observation does not reflect economies of scale, but is a simple reflection of acceptable denominations, and that principle governs the reason why multi-building

properties sell for less than the aggregate of a number of smaller properties with the same total floor area.

(18) Having said that, the Board does not subscribe to the City's practice of assessing multi-building properties by using the aggregate of a number of smaller building assessments using small building comparables, and then applying an arbitrary reduction, which has not been demonstrated or verified in the marketplace.

(19) The Respondent also submitted a number of costing examples demonstrating the extra cost involved in constructing two smaller buildings compared to a single building of the same total floor area. The Board agrees that there is a measurable difference, but the point of the cost exercise is lost on the Board.

(20) The Respondent also analysed six of seven of the Complainants equity comparables, and adjusted each for "site coverage" (R1, page 30). After adjustments, the adjusted assessed rate per s.f. ranged from \$115.73 to \$121.31 per s.f..

(21) The Respondent then produced three single building properties to illustrate "economies of scale" (R1, page 31). The comparables ranged in size from 36,167 to 65,084 s.f. The time adjusted selling price per s.f. ranged from \$80.18 to \$152.64 per s.f. . The median is \$98.33 - virtually equal to the Complainant's request.

(22) The Respondent submitted three multi building property sales as being comparable to the subject (R1, page 32).

(23) The Respondent's first comparable is located at 3005 Ogden Road SE. This is a two building property having a total building area of 64,025 s.f., that sold in June 2012, for \$9,250,000, or \$144.47 per s.f. The land area is 10.09 acres, and the site coverage is 13.42 per cent. Applying the Respondent's site coverage adjustment produces an adjusted relative indicator of \$90.66 per s.f. overall. The property is a Rona retail outlet.

(24) The second comparable is a two building property at 1826 - 25 Avenue NE, containing a total area of 35,200 s.f.. It sold in May, 2011, for \$4,439,000, or a time adjusted selling price of \$139.94 per s.f. The buildings are substantially smaller than the subject, and are 12 years newer.

(25) The third comparable is a three building property at 10501 Barlow Trail SE. The aggregate building size is 65,866 s.f. The time adjusted selling price calculates to \$239.12 per s.f.. The site area is 12.58 acres. Applying the Respondent's site coverage adjustment produces a relative indicator of \$172.15 per s.f. The buildings were built in 2008, or 40 years newer than the subject. The transaction is post facto to the effective date of valuation. This property is part of a portfolio transaction involving properties in Calgary, Edmonton, Grande Prairie, and Richmond B.C.. The price per s.f. reported is \$300.57.

Board's Reasons for Decision

(26) In the opinion of the Board, the three sales presented by the Respondent do not support the assessment. The first property produces a relative indicator lower than the requested assessment when site coverage is accounted for. This property is also a retail outlet. The second property is 35 per cent smaller than the subject, and the third property is 40 years newer

than the subject, and is part of a much larger portfolio transaction. None of these could be considered comparable to the subject.

(27) The Board cannot find any evidence that the Respondent's multi building adjustment has been applied. The assessed values for the subject buildings, apparently 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.

(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) The Board finds that the argument and data presented by the Complainant is more convincing, and therefore adequate to cast doubt on the accuracy of the subject assessment. The Respondent failed to defend the assessment.

(30) The assessment is reduced to \$98 per s.f., which is based on the comparable at 5905 - 11 Street SE, and is also the median of the Complainant's sales data.

DATED AT THE CITY OF CALGARY THIS 3rd DAY OF December 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 72645P/2013			Roll No. 090083908	
<u>Subject</u>	<u>Type</u>	<u>Issue</u>	<u>Detail</u>	<u>Issue</u>
CARB	Industrial	Market Value	Sales Comparison	Multi building adjustment