



**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:

***Investors Group Trust Co. Ltd. (as represented by Altus Group Limited), COMPLAINANT***

and

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

before:

***I. Weleschuk, PRESIDING OFFICER  
D. Steele, BOARD MEMBER  
T. Usselman, 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>009023607</b>
<b>LOCATION ADDRESS:</b>	<b>7912 10 Street NE</b>
<b>FILE NUMBER:</b>	<b>72998</b>
<b>ASSESSMENT:</b>	<b>\$23,460,000</b>

This complaint was heard on the 7<sup>th</sup> day of August, 2013 at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 12.

Appeared on behalf of the Complainant:

- J. Weber

Appeared on behalf of the Respondent:

- B. Brocklebank
- L. Cheng

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

- [1] The Board noted the file includes a completed copy of the Assessment Review Board Complaint form and an Assessment Complaints Agent Authorization form.
- [2] Neither party objected to the members of the Board, as introduced, hearing the evidence and making a decision regarding this assessment complaint.
- [3] No preliminary issues were raised by either party.

**Property Description:**

- [4] The subject property is a multi-tenant warehouse industrial property (IWM) located at 7912 10 Street NE, in the Deerfoot Business Centre of northeast Calgary. The property is u-shaped with three warehouse/industrial buildings. Building A (Board's nomenclature), built in 2000, has a footprint and assessable area of 107,200 square feet (SF), with a 26% finish ratio and is assessed at a rate of \$117.69/SF. Building B, built in 2001, has a footprint and assessable area of 33,600 SF, 24% finish ratio and is assessed at a rate of \$149.95/SF. Building C, built in 2000, has a footprint and assessable area of 40,080 SF, 18% finish ratio and is assessed at a rate of \$144.88/SF. The lot size is 13.15 acres, with an overall site coverage of 32%. The assessment rates are based on the City's assessment model that adjusts for a number of characteristics, including a "multi-building adjustment". The 2013 assessment is \$23,461,833, truncated to \$23,460,000 (\$129.71/SF based on the total assessable area).

**Issues:**

- [5] What is the correct assessed value? Both parties presented sales evidence to support their positions. A sub-issue (Issue 1) emerged related to how Direct Sales comparisons should be applied in a multi-building scenario. The City determines the market rates based on the market value of each building on one titled property, and then applies a multi-building adjustment to reflect market value of the property. The Complainant argued that a property with more than one building on the site would sell based on the total building area, and that comparable sales that reflect the total assessable SF on the property (building area) is a more appropriate approach to reflect the market.

**Complainant's Requested Value:** \$21,070,000

**Board's Decision:**

[6] The Board reduces the 2013 Assessment to \$21,880,000.

**Legislative Authority:**

[7] Section 4(1) of Matters Relating to Assessment and Taxation Regulation (MRAT) states that the valuation standard for a parcel of land is "market value". Section 1(1)(n) defines "market value" as the amount that a property, as defined in Section 284(1)(r) of the Act might be expected to realize if it is sold on the open market by a willing seller to a willing buyer. Section 467(3) of the Act states that an assessment review board must not alter any assessment that is fair and equitable, taking into consideration (a) the valuation and other standards set out in the regulations. The issues raised in the Complaint may refer to various aspects of the assessment or calculation of the assessed value, and may be addressed by the Board. However, the ultimate test that the Board must apply is whether the assessed value reflects the market value of the assessed property.

**Issue 1: Should multi-building properties be assessed as individual buildings or based on the total building area on the property?**

**Complainant's Position:**

- [8] The Complainant stated that multi-building properties are assessed by the City as separate buildings that can be sold as separate buildings. The market value assigned to each building in the assessment reflects the value of the building, as a subdivided property. This approach over-values multi-building properties, even after the multi-building adjustment is applied. Furthermore, assuming that the property is in some way subdivided for assessment purposes ignores the actual condition of the property.
- [9] The Complainant argued that multi-building properties are purchased based on the total building area or the area that can be leased. As these are income-producing properties, purchasers consider the income that can be produced by the property (total leasable area). To reflect the reality of the market, multi-building properties should be assigned a market rate per square foot based on the total building area and this per square foot rate multiplied by the total building area.
- [10] The Complainant presented a table (page 6, Exhibit C2) showing the Assessment to Sale Ratio (ASR) for the five multi-building comparable sales presented by the Respondent (page 26, Exhibit R1). The Complainant also presented a table of seven multi-building sales that occurred between January 2011 to June 2012 (page 9-10, Exhibit C2) indicating the 2013 Assessment to Sale Ratio (ASR). The Complainant argued that the wide range in ASR's demonstrated that the City's assessment model is flawed.

**Respondent's Position:**

- [11] The Respondent stated that the best market information available is for properties with individual buildings, therefore this is the basis of the assessment. Furthermore, assessing each building on a multi-building property allows the assessment to recognize the characteristics of each building. It is not obvious how one could accurately characterize the buildings on a multi-building site into one set of characteristics (representing a "theoretical subject" building). Such an approach introduces a number of weaknesses into the analysis.
- [12] As a result of previous Board Decisions, the City began applying a "multi-building adjustment" which reduces the assessment by a percentage to reflect the market value of multi-building properties. The Respondent opined that the multi-building adjustment reflects some reduction in utility for a property with more than one building, as compared to that same assessable area in just one building.

**Findings of the Board on this Issue**

- [13] Section 284 of the Act states that market value is the test applied to an assessment. Section 467(3) states that an assessment review board must not alter any assessment that is fair and equitable, taking into consideration valuation standards set out in regulations, procedures set out in regulations and the assessment of similar property in the same municipality. The Board notes that the approach to valuing each building on a multi-building property and then applying a "multi-building adjustment" to the total assessment is a policy adopted by the City, not a directive of either the Act or its Regulations.
- [14] The Board notes that the issue of valuing multi-building properties has been addressed by several Boards in the past, including recently in CARB Decision 72357P-2013. It is generally accepted that an investor would consider the total floor area of the buildings on a property to determine the potential income and not the characteristics of each of the buildings on that site. In most instances, multi-building properties cannot be subdivided, and only after the property was subdivided could the buildings on the site be sold individually. A parcel with multiple buildings would trade in the market as one property (CARB Decision 0732-2012-P; CARB Decision 1439/2010-P). In situations where the buildings on a multi-building property are similar, the property can be considered similar to one building and assessed based on the total floor area. Factors such as construction materials year of construction, building design, building type, building size, etc. should be taken into consideration in making such a determination. Otherwise, if there is a wide variance in the characteristics of the buildings on a multi-building site, then a value applied to each building is considered appropriate. Given the direction provided in previous CARB Decisions (i.e. CARB Decision 72357P-2013), the Board finds no further explanation of this matter is warranted.

- [15] The Board appreciates the issue related to developing or describing the characteristics of a number of buildings on a property as an "amalgam of characteristics" or a "theoretical subject" building. The characteristics of either the actual buildings or a "theoretical subject" forms the basis of the comparable sales used to indicate value, and the adjustments that should be made to those comparable sales to better reflect the value of the subject(s). Where the buildings on a site are similar, developing an amalgam of the characteristics (theoretical subject) introduces little or no weaknesses to the analysis.
- [16] In this situation, other than size, the three buildings on the subject site are similar in age, construction design, construction materials, function and use, therefore it is appropriate to select comparable sales based on the total floor area, not on the size of each individual building.

**ISSUE 2: Is the subject property correctly assessed?**

**Complainant's Position:**

- [17] The Complainant argued that since the subject buildings were essentially constructed at the same time and were of essentially the same design, that the best indication of value is single buildings with a similar total assessable area as the subject (total subject assessable area is 180,880 SF).
- [18] The Complainant presented six equity comparables (page 11, Exhibit C1) for industrial-warehouse multi-tenant buildings (IWM) ranging in size from 199,914 to 110,464 SF showing an range of assessed values between \$116.52 to \$122.75/SF, and a median of \$119.63/SF. In considering all the property characteristics, the best comparable in this set is the property located at 928 72 Avenue NE with an assessed value of \$116.52/SF.
- [19] The Complainant presented one sales comparable (page 15, Exhibit C1) supported with a map of the property and photographs (page 16-18, Exhibit C1). This is a 118,402 SF single building, multi-tenant industrial warehouse built in 1997 and located at 930 64 Avenue NE. The building sold in March 2011 for a time adjusted sale price of \$121.00/SF. The Complainant argued that this is a sale of a very similar property, albeit smaller than the total area of the subject.
- [20] Based on the one sales comparable (\$121.00/SF) and six equity comparables (median of \$119.63/SF), the Complainant requested a rate of \$116.00/SF to be applied to the entire 180,880 SF of assessable area, resulting in a truncated requested assessment of \$21,070,000.

- [21] The Complainant argued that the comparable sales and equity comparables relied on by the City and presented by the Respondent in Exhibit R1 are not very similar to the subject property for a number of reasons. Assessment to Sales Ratios presented on page 6 and 10, Exhibit C2 demonstrate that the assessment model used by the City is flawed.

**Respondent's Position:**

- [22] The Respondent presented a summary table of:
- four comparable sales (sale of 1939 Centre Avenue SE was withdrawn at the hearing) of multi-building properties (page 24, Exhibit R1) showing a range of time adjusted sale prices between \$101.17 to 141.54/SF to support the total area assessed rate of \$129.71/SF.
  - three single building (IWM) comparable sales (page 25, Exhibit R1) ranging in size from 98,413 to 118,402/SF showing a range of time adjusted sale prices between \$120.51 to 137.76/SF (median of \$129.13/SF) to support the assessed rate of \$117.69/SF for Building A (107,200 SF).
  - five single building (IWM and IWS) comparable sales ranging in size between 15,018 to 42,504 SF showing a time adjusted sale price ranging from \$134.77 to \$210.71/SF (mean of \$165.62/SF) to support the assessed rate of \$149.95/SF for Building B (33,600 SF) and an assessed rate of \$144.88/SF for Building C (40,080 SF).

The Respondent argued this demonstrates the assessment reflects the market value of the subject property when the characteristics of the subject property are compared to the characteristics of the various sets of comparable sales.

- [23] The Respondent presented a summary table of six equity comparables (page 28, Exhibit R1) for Building A. These equity comparables include similar sized buildings on multi-building sites. The assessed value ranges from \$110.06 to \$120.66/SF and supports the assessed rate of \$117.69/SF applied to Building A. The Respondent also presented a table of seven similar sized buildings on multi-building properties for Buildings B and C (page 29, Exhibit R1) ranging in size from 22,700 to 44,928 SF showing a range of assessed rates ranging from \$134.00 to 188.92/SF to support the assessed value of \$149.95/SF for Building B and \$144.88/SF for Building C.
- [24] Regarding the Complainant's concerns that the ASR's are in a very wide range, the Respondent stated that it is not appropriate to look at just a small sample of the total database and make conclusions regarding the ASR acceptability of the assessment model for that property type.

**Findings of the Board on this Issue**

- [25] Section 284 of the Act states that market value is the test applied to an assessment. Section 467(3) states that an assessment review board must not alter any assessment that is fair and equitable, taking into consideration valuation standards set out in regulations, procedures set out in regulations and the assessment of similar property in the same municipality. The municipality has the discretion to determine how to conduct its assessments, as long as the assessments reflect market value. The availability of data may be a factor in determining what assessment approach is used. The issue before the Board is not to determine the better approach, but rather to determine the market value of the subject property as of the valuation date.
- [26] Because the three buildings are very similar, the most direct method of valuing the subject property is to consider the market value of a property with 180,880 SF of building area.
- [27] The Board notes the Complainant's evidence, showing that the median of the six equity comparables (page 11, Exhibit C1) is \$119.63/SF, and the one sale comparable (930 64 Avenue NE) with a time adjusted sale price of \$120.51/SF.
- [28] The sales comparables presented by the Respondent are for building areas that are more similar to the size of each subject building rather than the total assessable area. That said, the Board notes that the largest sales comparable presented by the Respondent is the 930 64 Avenue NE property. This one sales comparable is common to both parties.
- [29] The Board finds that the sale of the property at 930 64 Avenue NE is the best indication of the market value of the subject, at a time adjusted price of \$120.51/SF. This market rate is also supported by the multi-building comparables presented by the Respondent on page 24, Exhibit R1, and specifically the sale of a two-building property with a total of 177,987 SF located at 7007 54 Street SE, with a time adjusted price of \$117.26/SF for the entire assessed area. The larger building equity comparables (page 28, Exhibit R1) also support the \$120.51/SF value indicated by the sales comparables.
- [30] The Board finds that the sales and equity comparables discussed above support a market value of \$120.51/SF for the entire 180,880 SF of assessable area. This calculation results in a truncated assessed value of \$21,880,000.

**Board's Reasons for Its Decision**

- [31] The Board considered the sales comparables presented by both parties and prefers the sales comparable common to both parties, indicating a market value of \$120.51/SF for the entire 180,880 SF of assessable area. The Board reduces the 2013 assessment to \$21,880,000.

DATED AT THE CITY OF CALGARY THIS 9<sup>th</sup> DAY OF September 2013.



**Ivan Weleschuk**  
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. C2	Complainant Disclosure
3. 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**

<b>Subject</b>	<b>Type</b>	<b>Sub-Type</b>	<b>Issue</b>	<b>Sub-Issue</b>
CARB	Industrial warehouse	Multi-building	Direct Sales Approach	Equity, Sales