

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:

***North West Life Assurance Company of Canada (as represented by Altus Group Ltd.),
COMPLAINANT***

and

The City Of Calgary, RESPONDENT

before:

***K. D. Kelly, PRESIDING OFFICER
D. Pollard, BOARD MEMBER
E. Bruton, 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:	100012905
LOCATION ADDRESS:	6170 – 12 ST SE
FILE NUMBER:	73118
ASSESSMENT:	\$11,460,000

This complaint was heard on 27th day of August 2013 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 4.

Appeared on behalf of the Complainant:

- *D. Mewha – Altus Group Ltd.*

Appeared on behalf of the Respondent:

- *T. Luchak – Assessor – City of Calgary*

Regarding Brevity

[1] The Composite Assessment Review Board (CARB) reviewed all the evidence submitted by both parties. The nature of the submissions dictated that in some instances certain evidence was found to be more relevant than others. The CARB will restrict its comments to the items it found to be most relevant.

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

[2] None

Property Description:

[3] The subject consists of four buildings on one 5.28 acre (Ac) parcel of land situated at the northwest corner of the Deerfoot Trail and Glenmore Trail intersection in the Burns industrial district. There is also 0.17 Ac of "extra" land. All buildings are single-storey multi-tenant structures constructed in 1990 and face Deerfoot Trail directly in a linear manner. The four buildings contain 10,536 square feet (SF); 12,816 SF; 21,528 SF; and 22,010 SF of assessable area respectively – areas which also coincide with their building footprint. They also display 72%; 71%; 66%; and 84% finish respectively. Taken together, the four buildings cover 29.06% of the parent parcel. While the average value of the four buildings is \$175.79 per SF, the site is assessed at a slightly less than average value of \$171.45 per SF, for a total combined assessment of \$11,460,000.

Issues:

[4] What is the correct market value for the subject as expressed in dollars per square foot?

Complainant's Requested Value:

[5] The Complainant requests that the subject be assessed at \$9,360,000 based on \$140 per SF.

Board's Decision:

[6] The Board confirmed the assessment at \$11,460,000 based on \$171 per SF.

Legislative Authority, Requirements, and Considerations:

[7] Under the *Municipal Government Act* (MGA), the Board cannot alter an assessment which is fair and equitable.

[8] MGA 467 (3) states:

"An assessment review board must not alter any assessment that is fair and equitable, taking into consideration the valuation and other standards set out in the regulations, the procedures set out in the regulations; and the assessments of similar property or businesses in the same municipality."

[9] The Board examines the assessment in light of the information used by the assessor and the additional information provided by the Complainant. The Complainant has the obligation to bring sufficient evidence to convince the Board that the assessment is not fair and equitable. The Board reviews the evidence on a balance of probabilities. If the original assessment fits within the range of reasonable assessments and the assessor has followed a fair process and applied the statutory standards and procedures, the Board will not alter the assessment. Within each case the Board may examine different legislative and related factors, depending on what the Complainant raises as concerns.

Positions of the Parties**(a) Complainant's Position:**

[10] The Complainant provided his Brief C-1 and clarified the specific and general characteristics of the subjects, their location, and functionality. He noted that as of December 31, 2012 the subject consisted of only one 5.28 Ac land parcel on which four separate and distinct multi-tenant industrial buildings were constructed. He argued that in the marketplace, the subject would trade in a unique market where all four buildings would be involved, not just one or two individually, since there has been no subdivision of the subject and none is contemplated. Therefore, he argued, the number of potential buyers for the multi-building site would be limited, and this would negatively affect the marketability and price if it were sold.

[11] The Complainant argued that the downward pressure on any sale value for the subject, as a result of there being four buildings on the property, and as compared to single-building sites, is a reflection of what he and his company have observed through analysis of the sales of several multi-building sites throughout the City. He noted therefore that in the past couple of years, and in recognition of this unique factor "at play" regarding multi-building sites, the City

has provided a "multi-building discount" to all multi-building sites to recognize the measureable difference in value between them and single-building sites. He was unsure however what the specific value of the 2012 discount was for the subject and precisely how it had affected the current assessed value.

[12] The Complainant argued that in order to determine a "more correct" assessed value for properties like the subject, they must be compared to single-building sites and that is predominantly the methodology he has used in this appeal. The Complainant therefore provided a matrix on page 12 of C-1 containing six market sales of five single-building sites and one multi-building site, all of which transacted between December 21, 2010 and June 28, 2012.

[13] The Complainant noted that three sales were for multi-tenant buildings like the subjects, and three were for single-tenant buildings. The level of finish in the six sites ranged from 3% to 100% as compared to the subjects which ranged from 66% to 84%. He argued that the unadjusted median sale price was \$104 per SF and the average price was \$110 per SF. When time-adjusted using City of Calgary values, the median value was \$111 per SF and the average was \$117 per SF. He argued that these values are much less than the \$171 per SF used to assess the subject.

[14] The Complainant provided a second matrix which isolated the sales and selected site characteristics of the three single-tenant market sales noted in his first matrix. They were located at 4975 – 12A ST SE; 1320 Highfield CR SE; and 3005 Ogden RD SE. He noted that the Ogden RD SE location is a multi-building (2 buildings) site. Upon analysis, he concluded that the unadjusted median value of these three sites is \$140 per SF and the average \$123 per SF. He also concluded that the time-adjusted (using City values) median value was \$143 per SF and the average was \$129 per SF. He concluded therefore that \$140 per SF or a \$9,364,600 assessment was appropriate for the subject.

[15] The Complainant provided two additional assessment equity matrices on page 13 of C-1 - one matrix containing ten single-building multi-tenant property comparables from NE and SE city quadrants, and the other containing eight comparables from the Central market region. The latter matrix contained three multi-building sites, whereas the remaining 15 properties were single-building sites - unlike the subject. He argued that these equity comparables indicate assessed median values of \$134 per SF for the NE and SE locations, and \$133 per SF for the Central market district. The Complainant provided the RealNet and Commercial Edge information sheets for each of his property comparables.

[16] The Complainant provided and referenced several Calgary Assessment Review Board Decisions which he argued support his position in this appeal. He provided CARB 1792-2012-P; CARB 1439/2010-P; CARB 0732-2012-P; CARB 0735-2012-P; CARB 0717/2012-P; CARB 1442/2010-P; CARB 73678-P-2013; and CARB 1435/2010-P. He also provided the RealNet information sheets for several of the Respondent's market sale and assessment equity property comparables and argued that they are for the most part, "imperfect" comparables which should be disregarded.

[17] On page 3 of the Complainant's rebuttal document C-2 he "re-created" the Respondent's "2013 Industrial Sales Chart" located on page 27 of R-1 and argued that the Assessment to Sale Ratios (ASR's) for the Respondent's four properties display adjusted ASR's ranging from 73% to 124% of the ideal 100%. He noted that the unadjusted ASR's ranged from 79% to 126%. Therefore he concluded that the City's Mass Appraisal model produces flawed assessment calculations which have negatively affected the subject. He provided the RealNet information sheets for the Respondent's property comparables and argued the validity of the transactions relative to their use by the City as typical valid transactions useful for assessment purposes.

[18] The Complainant requested that the assessment for the subject be reduced to \$9,360,000 based on \$140 per SF.

(b) Respondent's Position:

[19] The Respondent provided his Brief R-1 and clarified that the subject is a 4-building property and must be assessed in recognition of this fact. He clarified that the City examines the specific and individual characteristics of each building onsite the subject and others like it, noting the year of construction of each building, level of finish in each, etc. He argued that to do otherwise would mean that some buildings on multi-building properties would be undervalued and others over-valued which would be inequitable, and lead to erroneous values for such sites.

[20] The Respondent argued that when comparing multi-building properties on an equity or market sale basis, it is important to compare them to other multi-building properties, unlike the Complainant who has compared the subjects almost entirely to single-building properties from several different market zones in the city. He argued that the Complainant's methodology is erroneous and leads to false conclusions regarding the potential alternate value of multi-building sites, including the subject.

[21] The Respondent clarified that after receiving direction from several Assessment Review Board Decisions over the past few years, the department recently changed its methodology and provided a multi-building discount to multi-building sites throughout the city. He was unable to identify the precise value of the discounts which had been instituted two or three years ago, but noted that analysis of the various ARB Decisions appeared to indicate a general value of about 8% was appropriate.

[22] He clarified that since that time, the department has, on an annual basis, analyzed the market sales of single building sites and compared them to sales of multi-building sites. Based on this analysis the department concluded that there was indeed a small percentage difference in market value between the two types of properties, with the multi-building sites transacting for less. He clarified that this value, on a percentage basis, varies from year to year, however he was unable to identify the percentage value used as a discount factor on multi-building sites for this assessment cycle.

[23] The Respondent provided a matrix re-creation of the Complainant's six market sale comparables which identified the multiple property characteristics of each of them. He argued that the Complainant had used predominantly older buildings than the subject. He argued that newer buildings, like the subject's 1990 structures, are worth more in the marketplace and therefore the Complainant's property comparables are not similar to the subjects and the indicated sale values are flawed.

[24] He also noted that the assessable areas of the Complainant's six comparables – only one of which is a multi-building site, are three and four times larger than any of the subjects and are thus not comparable. He noted that the site coverages of the Complainant's comparables are also almost twice the size of the subject. Therefore, he argued, all of the Complainant's comparables are so dissimilar to the subject that one would need to make very large adjustments to them to attempt to render them comparable, and this is problematic and unacceptable methodology.

[25] The Respondent provided, but did not rely upon, copies of four "hypothetical" Cost Approach to Value calculations for each of the four buildings on the subject, which he argued tended to support the assessments of the four buildings on the subject. He also provided a matrix on page 27 of R-1 containing four multi-building market sales, arguing that their respective and several individual characteristics were quite similar to each of the four buildings on the subject. He noted that three of the sales transacted in 2011 and one in June 2012. Therefore, he argued, these four sales are a current reflection of the market.

[26] The Respondent identified one market sale at 4540 – 54 AV SE which contained four buildings, whereas he noted the other three properties each contained two buildings. He considered this sale, which transacted November of 2011, to be very comparable to the subject when examining parcel size; year of construction; and site coverage. He acknowledged that level of finish, and a SE Calgary location, were factors needing adjustment to render it more comparable to the subject. He clarified that a multi-building discount had been applied to each of the four sites in his matrix. Nevertheless, he noted that the time-adjusted market values of the four properties ranged from \$144.47 per SF to \$292.45 per SF, and the subject at \$171 per SF fits well within this range.

[27] The Respondent provided an additional matrix on page 28 of R-1 containing four single-building market sales. He noted that while the individual characteristics of the four sites generally aligned with the those of the subject, it was more important to note that the range of values (from \$181.65 per SF to \$241.36 per SF) is higher because no multi-building discount was applied to them. He acknowledged that single building properties sell for more than multi-building properties.

[28] On page 30 of R-1 the Respondent provided a matrix containing five assessment equity comparable properties. Two were multi-building properties and three were single-building properties. He argued that the several individual building and site characteristics of each of them, compared favourably to the subject – particularly the assessed rate per SF which ranged

from a low of \$166.35 per SF to \$241 per SF. He argued that the subject, assessed at \$171 per SF, fits well within this range and is therefore a fair and equitable assessment, contrary to the assertions of the Complainant.

[29] The Respondent provided and briefly referenced parts of several Calgary, and one Edmonton Assessment Review Board decisions which he argued support his methodology and the assessment it produced for the subject. He provided a copy of CARB 1825/2012-P; CARB 1204-2012-P; CARB 1734/2010-P; and Edmonton ARB Decision No. 0098 186/12.

[30] The Respondent summarized by re-asserting that the Complainant seeks to value the four buildings on the subject as one building. However, he argued, the City values each building individually to develop an overall assessed value, then applies a multi-building discount to that value. He argued that this is the most fair and equitable way to value for assessment purposes, multi-building properties which may contain separate buildings displaying very different characteristics.

[31] The Respondent also argued that the Complainant used single building property sales which require upward adjustments of several individual site characteristics to render them comparable to the subject, but he has not done so. He argued that if one adjusts downward for the multi-building factor, then one must adjust upward for the single-building factor.

[32] The Respondent requested that the assessment be confirmed at \$11,460,000.

Board's Reasons for Decision:

[33] The Board finds that in this hearing, given the evidence presented by both parties, the assessment of the subject is fair, equitable, and correct because the market and equity evidence presented by the Respondent, in the Board's view, displays a slightly broader range of site and individual building characteristics which generally match those of the subject more closely.

[34] The Board finds that neither party produced strongly compelling evidence of comparable properties to firmly and unequivocally support their respective positions. Nevertheless, the Board accepted the Respondent's evidence as the more convincing of the two parties.

[35] The Board finds that the assessed value of the subject fits within the adjusted range of values from the several valid multi-building market sales used by the Respondent. While the ASR's do not appear to "test" well, the range generally supports the assessment.

[36] The Board finds that the methodology used by the Respondent to assess each of the buildings on the subject to generate an overall site value, while perhaps a bit confusing to some, appears overall to be appropriate, such that a fair and equitable value is obtained for each building onsite, which is then used to generate an overall site value.

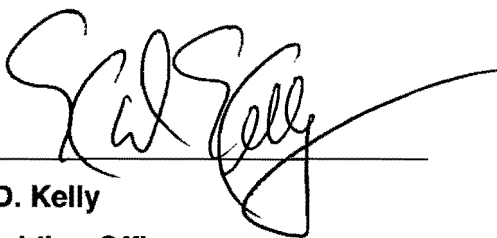
[37] The Board accepts that a multi-building discount has been applied to each of the multi-building sites in the city, including the subject, and this factor generates a lesser assessed value for such sites when compared to single-building sites which are not discounted. Therefore, the Board considers it important that multi-building sites should be compared to multi-building sites, and the Respondent has done so whereas the Complainant has not.

[38] The Board accepts the assertions of the Respondent that the Complainant's property comparables require too large and too many adjustments to properly compare to the subject. Moreover, and in any event, the individual site characteristics of the Complainant's property comparables have not been adjusted upwards for comparison to the subject as a multi-building site, and therefore the Complainant's comparison of them to the subject appears less reliable to the Board.

[39] The Board finds that while each of the parties provided several previous and conflicting ARB Decisions from Edmonton and Calgary, and the Board is mindful and respectful of them, the Board is obliged to consider the merits of this appeal based on the evidence and argument adduced at this hearing.

[40] The Board finds that the Complainant provided insufficient persuasive information to demonstrate that the assessment of the subject is incorrect, unfair, or inequitable.

DATED AT THE CITY OF CALGARY THIS 26th DAY OF September 2013.



K. D. Kelly
Presiding Officer

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

NO.	ITEM
1. C-1	Complainant Disclosure
2. C-2	Complainant Disclosure - Rebuttal
3. R-1	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.*

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Appeal Type	Property Type	Property Sub-type	Issue	Sub-Issue
CARB	industrial	Multi-building	market value	equity