



**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:**

***Sreit (West No. 1) 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>048047005</b>
<b>LOCATION ADDRESS:</b>	<b>1820 30 Avenue NE</b>
<b>FILE NUMBER:</b>	<b>73251</b>
<b>ASSESSMENT:</b>	<b>\$10,550,000</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.
- [4] Both parties requested that evidence, questions and answers and argument presented to this Hearing Panel earlier in the week during Complaint File No. 72990 (CARB Decision 72990P-2013) related to the issue of the assessment of multi-building properties be brought forward. The Board agreed.

**Property Description:**

- [5] The subject property is a multi-tenant industrial warehouse property (IWM) located at 1820 30 Avenue NE, in the South Airways District of northeast Calgary. The site is 5.30 acres, configured as a rectangle with frontage on both 32<sup>nd</sup> and 30<sup>th</sup> Avenues NE. There are two buildings on the property constructed in 1981, resulting in site coverage of 42%. One building has an assessable area of 43,946 square feet (SF), with 27% finish ratio and assessed at a rate of \$111.41/SF. The other building has 52,953 SF of assessable area, with 32% finish ratio and assessed at a rate of \$106.87/SF. The assessment rates are based on the City's model that adjusts for a number of characteristics including the "multi-building adjustment". The 2013 assessment is \$10,550,000, which translates into a rate of \$108.93/SF for the total assessable area.

**Issues:**

- [6] 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 a titled property, adds the building values together to derive a property value, then applies a multi-building adjustment to the total of the individual buildings to reflect the market value of the property. The Complainant argued that a property with more than one building on the parcel would sell based on the total building area, and that comparable sales that reflect the total assessable SF on that property is a more appropriate approach to reflect the market value of that property.

**Complainant's Requested Value:** \$8,620,000

**Board's Decision:**

- [7] The Board reduces the 2013 Assessment to \$8,620,000.

**Legislative Authority:**

- [8] 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:**

- [9] The Complainant stated that multi-building properties are assessed by the City as individual or stand-alone 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 City's multi-building adjustment is applied. Furthermore, assuming that the property is in some way subdivided for assessment purposes ignores the actual condition or state of the property.

- [10] 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.
- [11] The Complainant presented a table (page 23, Exhibit C2) showing the Assessment to Sale Ratio (ASR) for seven multi-building comparable sales and a table of five single building sales (page 24, 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:**

- [12] 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 would introduce a number of weaknesses into the analysis.
- [13] As a result of previous Board Decisions, the City applies 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**

- [14] 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.
- [15] 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. 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 a single 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, applying a value 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.

- [16] In this situation, the two buildings on the subject site are very 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 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 96,899 SF).
- [18] The Complainant presented three sales comparable (page 9, Exhibit C1) but withdrew two of the sales as they were not germane to this hearing. The single remaining sales comparable is located at 3905 29 Street NE, and is the only industrial warehouse multi-tenant (IWM) property of the three sales comparables originally presented. This property is 5.00 acres in size with a 96,804 SF building constructed in 1981 resulting in site coverage of 44% and a 27% finish ratio. The time adjusted sale price of this October 2010 sale is \$89.00/SF. Based on this sale comparable, the Complainant requested a rate of \$89.00/SF applied to the total building area, resulting in the requested assessed value of \$8,620,000.
- [19] The Complainant presented four equity comparables (page 10, Exhibit C1) for industrial-warehouse multi-tenant buildings (IWM) ranging in size from 76,700 to 95,542 SF showing a range of assessed values between \$84.49 to \$97.72/SF, and a median of \$91.19/SF. In considering all the property characteristics, the best comparable in this set is the property located at 3905 29 Street NE with an assessed value of \$97.72/SF.
- [20] The Complainant argued that the 2013 assessment translates into a value of \$108.93/SF for the total building area, which is not supported by either the sales or equity comparables presented by the Complainant.

- [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 23 and 24, Exhibit C2 demonstrate that the assessment model used by the City is flawed.

**Respondent's Position:**

- [22] The Respondent presented a summary table of three sales comparables (page 43, Exhibit R1) straddling the size range of each of the subject buildings, with two of these sales comparables being IWM properties. Assessment Request for Information (ARFI) documents were provided for each of these three sales comparables (page 44-61, Exhibit R1). The Respondent presented the median characteristics of these three sales comparables, with a resulting median time adjusted sale price of \$134.77/SF, and argued that this supported the assessed rates applied to the two subject properties (\$111.41/SF and \$106.87/SF).
- [23] The Respondent presented a summary table of six multi-building property equity comparables (page 63, Exhibit R1) to demonstrate that the assessed rates applied to each subject building are consistent with rates applied to other similar buildings on other multi-building properties.
- [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 subset of the total database and make conclusions regarding whether the assessment model results in an acceptable ASR 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.
- [26] Because the two subject buildings are very similar, the most direct method of valuing the subject property is to consider the market value of a property with a single 96,899 SF building.

- [27] The Board notes the Complainant's evidence consists of sales and equity comparables reflecting a building size similar to each of the subject buildings, not the total assessable area. The Board does not find these comparables similar to the subject, as they are about half the size of the total assessable area. Furthermore, it is not clear to the Board how the \$134.77/SF median rate of the three sales comparables presented on page 43, Exhibit R1 supports the rates applied to the two subject properties in the assessment (\$111.41/SF and \$106.87/SF).
- [28] The Board finds that the comparable sale presented by the Complainant, located at 3905 39 Street NE, is the best comparable for the subject property. The time adjusted sale price of this property is \$89.00/SF, which the Board finds is the best indicator of the market value of the subject property. The Board also finds that the equity comparables presented by the Complainant (page 10, Exhibit C1) generally support a market value of \$89.00/SF. Applying this rate of \$89.00/SF to the total assessable area of 96,899 SF results in a truncated assessed value of \$8,620,000.

**Board's Reasons for Its Decision**

- [29] The Board considered the sales comparables presented by both parties and prefers the sales comparable located at 3905 39 Street NE, indicating a market value of \$89.00/SF for the entire 96,899 SF of assessable area. The Board reduces the 2013 assessment to \$8,620,000.

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