



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:

Airstate Ltd. (as represented by MNP LLP), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

***Board Chair, J. Zezulka
Board Member, D. Morice
Board Member, P. McKenna***

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 2014 Assessment Roll as follows:

ROLL NUMBER: 054011200

LOCATION ADDRESS: 3016 - 10 Avenue NE

FILE NUMBER: 74298

ASSESSMENT: \$18,680,000

This complaint was heard on the 30th day of July, 2014 at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 9.

Appeared on behalf of the Complainant:

- *G. Langelaar, Agent, MNP LLP*
- *T. Lau, Agent, MNP LLP*

Appeared on behalf of the Respondent:

- *F. Taciune, Assessor, City of Calgary*
- *M Hartmann, Assessor, City of Calgary*

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 subject is a three building warehouse property located in the Franklin community of NE Calgary. The three buildings are 70,733, 75,078, and 47,040 square feet (s.f.), for a total assessable area of 192,851 s.f. The buildings were built in 1978. All three are multi bay warehouses. The finish ratio varies from 17.0 to 23.0 per cent. The land area is 11.09 acres. The land is designated I-G. Site coverage is 39.38 per cent.

Issues:

(3) The property is currently being assessed by the sales comparison approach. The City's methodology is to value each of the buildings separately, as though each building was a separate property, add the totals together, and then apply a "multi building" adjustment. According to the Respondent, the "multi building" adjustment is a coefficient in the mass appraisal model, and cannot be made public. The Complainant does not dispute the sales comparison method of valuation.

(4) The current assessment reflects a rate from \$93.97 to \$102.37 per s.f. for an overall rate of \$96.91 per s.f. The Complainant contends that that rate is not equitable with similar properties, and that the rate does not properly reflect market values.

Complainant's Requested Value: \$16,280,000 or \$17,670,000.

Board's Decision:

- (5) The assessment is confirmed.

Legislative Authority, Requirements and Considerations:

- (6) This Board derives its authority from section 460.1(2) of the Act.

(7) Section 2 of Alberta Regulation 220/2004, being the Matters Relating to Assessment and Taxation Regulation (MRAT), 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"

(8) Section 467(3) of the 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."

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

Position/Evidence of the Parties

(10) The Complainant submitted three sets of sales comparables, one set for each of the subject buildings. The comparable sets for the two larger subject buildings reflect a median and average selling price of \$98 and \$99 per s.f.. For the smaller subject building, the comparables reflect a median and average of \$105 and \$102 per s.f..

(11) The Complainant then analysed three paired properties in the Franklin community that compared a single building property assessment to a similar multi-building property assessment. The median and average difference was found by the Complainant to be 15.14 per cent and 14.44 per cent. The purpose of the exercise was to mimic the City's valuation methodology for the assessment of multi-building properties.

(12) Applying the minus 15 per cent adjustment to the median and average of the comparables sales produced value indicators of \$83.06 and \$88.81 per s.f. which the Complainant used to arrive at the first assessment request of \$16,280,000.

(13) The Complainant also submitted two sets of equity comparables to be compared to the two building sizes in the subject property. For the two larger subject buildings, the median and average of the data were \$107 and \$106 per s.f. respectively. For the smaller building, the median and average were \$111 and \$113 per s.f. All of the data are single building properties. The Complainant then applied the 15 per cent multi building adjustment to arrive at the multi building rates of \$90.84 and \$94.21 per s.f.. These rates produced the second request of \$17,670,000.

(14) The Respondent submitted seven transactions in support of the assessment for the two larger subject buildings. The median of the comparables is \$107 per s.f. compared to the assessments of \$93.97 and \$96.27 per s.f. Five comparables for the smaller building reflect a median selling price of \$108.51, compared to the assessed rate of \$102.37.

(15) The Respondent submitted three equity comparable charts within which the Respondent calculated the percentage difference between the subject assessment per s.f. and the assessment of each of the comparables. The purpose of the exercise was apparently to illustrate that a multi building adjustment had in fact been applied to each of the subject buildings. The median and average of the adjustments calculated to 13.38 and 10.74 per cent.

(16) The Respondent then adopted the -13 per cent factor as the multi-building adjustment. This adjustment, applied to the median values of the three comparable sets submitted by the

Respondent produced a total property assessment of \$18,014,296. The Respondent pointed out that the result was "close enough" to support the existing assessment.

Findings and Reasons for Decision:

(17) In the view of the Board, the City's method of assessing multi building properties is faulty. The City's method does not reflect the typical behaviour of buyers and sellers in the marketplace, which is one of the underlying principles of the sales comparison approach to value. Most, if not all, investors view property on the basis of the total revenue potentially generated by a property as a whole, set against the total required capital investment. In other words, in the Board's view, comparing the subject's aggregate rentable floor area to comparable properties having the same or similar aggregate floor area provides a more reasonable reflection of actual market behaviour.

(18) The Respondent's position that the "multi building" coefficient cannot be made public is acknowledged by the Board. However, this Board has no way of determining whether the adjustment was applied correctly, or whether the adjustment reflects actual behaviour in the market place.

(19) Having said that, the sales and equity comparables submitted by the Complainant are no more or less convincing than the Respondent's. With one exception, neither party was able to show that any of the data submitted by the other was faulty in any way, or simply was not comparable.

(20) The onus of proving that an assessment is incorrect lies with the individual alleging it. The onus rests with the Complainant to provide convincing evidence to justify a change in the assessment. In the assessment complaint process, every opportunity is provided to both parties to present evidence and arguments in support of their positions. However, the ultimate burden of proof rests on the Complainant to convince the Board that their arguments, facts and evidence are more credible than that of the Respondent. In this Board's opinion, the Complainant failed to provide convincing evidence to justify a change in the assessment.

DATED AT THE CITY OF CALGARY THIS

3

DAY OF September, 2014.

Presiding Officer



Jerry Zezulka

**DOCUMENTS PRESENTED AT THE HEARING
AND CONSIDERED BY THE BOARD:**

Decision No. CARB 74298P/2014			Roll No. 054011200	
<u>Subject</u>	<u>Type</u>	<u>Issue</u>	<u>Detail</u>	<u>Issue</u>
CARB	Multi building warehouse	Market Value	Sales comparison	Onus