



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:

Sun Life Assurance Company of Canada (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: 033037904

LOCATION ADDRESS: 3419 - 12 Street NE

FILE NUMBER: 74326

ASSESSMENT: \$9,280,000

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*

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 McCall community of NE Calgary. The three buildings are 29,952, 16,128, and 28,110 square feet (s.f.), for a total assessable area of 74,190 s.f. The buildings were built in 1976 and 1977. All three are multi unit warehouses. Finish ratios range from 38 to 54 per cent. The land area is 5.17 acres. The land is designated I-G. Site coverage is 32.77 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 and cannot be made public. The Complainant does not dispute the sales comparison method of valuation.

(4) The current assessment reflects an overall rate of \$125.20 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: \$7,720,000 or \$7,070,000.

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.

(10) The Board notes that the assessment has increased from \$8,060,000 in 2013, to \$9,280,000 in 2014.

Position/Evidence of the Parties

(11) The Complainant submitted 11 sales comparables intended to be used for comparison with each of the subject's three buildings. The time adjusted median and average of the comparables for the two larger buildings is \$115 and \$111 per s.f. For the smaller building, the six comparables reflected a median and average of \$139, and \$151 per s.f.

(12) The Complainant also analysed six paired properties in the NE quadrant 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 13.42 per cent and 12.56 per cent. The purpose of the exercise was to mimic the city's valuation methodology for the assessment of multi-building properties.

(13) Applying the minus 13 per cent adjustment to the median and average of the comparables sales produced value indicators of \$99.64 and \$120.21 per s.f. The Complainant used these value indicators to arrive at the first assessment request of \$7,720,000.

(14) The Complainant also submitted three comparables whose assessable building areas were similar to the aggregate area of the three subject buildings. The average and mean of those sales were \$95 and \$102 per s.f., resulting in the second alternative request of \$7,070,000.

(15) The Respondent submitted five transactions in support of the assessment. Values range from \$84.06 to \$136.86 per s.f. The average and median are \$110.83 and \$115.08 per s.f. In the Board's view, these fall short of supporting the assessment.

(16) The Respondent also submitted six additional comparables for the smaller subject building on a separate table that reflect an average and median value of \$157.89 and \$139.66 per s.f. For the two larger buildings, three comparables reflect average and median values of \$160.89 and \$136.86 per s.f.

(17) Finally, the Respondent submitted six comparables that reflect average and median values of \$161.44 and \$159.43 per s.f. There was no explanation as to why these were not included in the first sets of data.

(18) The Respondent submitted five equity comparables, all of which are single building properties that reflect assessments higher than the subject's assessments.

(19) The Respondent maintains that none of the three equity comparables has a multi-building adjustment applied, and, if one had been applied, the comparables would be more in line with the subject's current assessment.

Findings and Reasons for Decision:

(20) The Board fails to recognize the significance of the Respondent's various comparable sets.

(24) 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.

(25) 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.

(26) Having made those observations, this Board does not find the Complainant's comparable properties or procedure to be any more convincing than the Respondent's. 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.

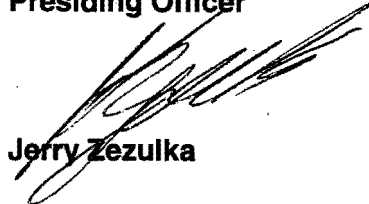
(27) No arguments were presented that would lead this Board to believe that the Complainant's comparables were, in fact, more comparable than the Respondent's comparables. As such, this Board is not inclined to alter the assessment.

DATED AT THE CITY OF CALGARY THIS

14

DAY OF August, 2014.

Presiding Officer



Jerry Zezulka

APPENDIX "A"

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

| NO. | ITEM |
|-----|---------------------------|
| 1. | C1 Complainant Submission |
| 2. | C2 Complainant Rebuttal |
| 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.

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|-------------------------------|--------------------------|--------------|--------------------|--------------|
| Decision No. CARB 74326P/2014 | | | Roll No. 033037904 | |
| <u>Subject</u> | <u>Type</u> | <u>Issue</u> | <u>Detail</u> | <u>Issue</u> |
| CARB | Multi building warehouse | Market Value | Sales comparison | Onus |