



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: 033044207

LOCATION ADDRESS: 1339 - 40 Avenue NE

FILE NUMBER: 74328

ASSESSMENT: \$7,480,000

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 two building warehouse property located in the McCall community of NE Calgary. The two buildings are 33,478 and 14,069 square feet (s.f.), for a total assessable area of 47,547 s.f. The buildings were built in 2001. The larger building is a multi-bay warehouse. The smaller building has a single tenant. The larger building has a finish ratio of 52.0 per cent. The smaller building has 96.0 per cent interior finish. The land area is 2.80 acres. The land is designated I-G. Site coverage is 33.70 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 rates of \$148.76 and \$178.07 for the larger and smaller buildings respectively. The overall rate is \$157.43 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: \$6,860,000, revised to \$6,650,000.

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 \$6,700,000 in 2013, to \$7,480,000 in 2014.

Position/Evidence of the Parties

(11) The Complainant submitted six sales comparables intended to be used for comparison with each of the subject's two individual buildings. The time adjusted median and average of the larger comparables is \$154 and \$159 per s.f. The smaller building comparables reflected a median and average rate of \$197 per s.f.

(12) In all cases, the average interior finish ratios of the comparables is substantially lower than the subject's.

(13) 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.

(14) Applying the minus 13 per cent adjustment to the median and average of the comparables sales produced a value indicator of \$133.59 per s.f. for the subject's larger building, and \$170.14 for the smaller building, which the Complainant used to arrive at the assessment request.

(15) The Respondent submitted seven comparable transactions in support of the assessment. Three support the assessment for the larger building, and four support the smaller building assessment. None of these were questioned by the Complainant.

(16) The Respondent submitted four equity comparables, all of which are single building properties. All but one of the buildings is older than the subject. Interior finish ratios are lower than the subject's.

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.

(19) 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.

(20) 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. 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 74328P/2014			Roll No. 033044207	
<u>Subject</u>	<u>Type</u>	<u>Issue</u>	<u>Detail</u>	<u>Issue</u>
CARB	Multi building warehouse	Market Value	Sales comparison	Onus