



## **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:**

***1414234 Alberta 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: 112140900**

**LOCATION ADDRESS: 7056 Farrell Road SE**

**FILE NUMBER: 74343**

**ASSESSMENT: \$8,800,000**

This complaint was heard on the 29th 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*
- *Y. Lau, Agent, MNP LLP*

Appeared on behalf of the Respondent:

- *J. Tran, Assessor, City of Calgary*
- *T. Nguyen, Assessor, City of Calgary*
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**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 four building warehouse property located in the Fairview Industrial Park, of SE Calgary. The four buildings have a total assessable area of 62,189 square feet (s.f.). The buildings were built in 1972. Interior finish ratios vary between 37 and 48 per cent. The land area is 2.80 acres. The land is designated I-G. Site coverage is 30.33 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 between \$127.25 and \$201.64 per s.f.. The overall rate is \$141.58 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:** \$7,480,000, or \$6,210,000.

**Board's Decision:**

- (5) The assessment is reduced to \$6,650,000.

**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 \$7,930,000 in 2013, to \$8,800,000 in 2014.

### Position/Evidence of the Parties

(11) The Complainant submitted three sets of sales comparables intended to be used for comparison with each of the subject's individual buildings. Summarized, the comparables produce the following results;

<u>Subject building size</u>	<u>Comparable data (Price/s.f.)</u>	
	<u>Median</u>	<u>Average</u>
Bldgs 1 & 2 (21,952 & 23,737 s.f.)	\$142	\$140
Bldg. 3 (10,500 s.f.)	\$151	\$157
Bldg. 4 (6,000 s.f.)	\$150	\$167

(12) The Complainant also analysed three paired properties in Fairview Industrial Park 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 16.40 per cent and 16.56 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 16 per cent adjustment to the median and average of the comparables sales produced a value indicators ranging from \$118.36 to \$126.61 per s.f. for the various subject buildings. The Complainant used these amounts to arrive at the \$7,480,000 assessment request.

(14) The Complainant also submitted four comparables whose building area is approximately equal to the aggregate area of the subject buildings. The median of the four is \$100 per s.f. which results in the Complainant's second request of \$6,210,000. One transaction was eliminated from the analysis because of its location in Foothills Industrial Park. Foothills is an outlying location compared to the subject or the other three comparables. The remaining three reflected an average of \$107 per s.f. At that rate, the total assessment appears at \$6,654, 223.

(15) The Respondent submitted 14 comparable transactions in three charts in support of the assessment. Six comparables are intended to support the assessments for the two larger subject buildings. Four are intended to support the assessment of the subject's 10,500 s.f. building, and four are intended to support the subject's smaller building assessment.

(16) The Respondent then submitted a second set of data that essentially "told a different

story" to the Board. For comparison purposes, the Respondent' two sets of data are summarized as follows;

	<u>Median</u>		<u>Median</u>
Set one, Bldgs 1 & 2	\$143.52	Set two, Bldgs 1 & 2	\$145.66
Bldg. 3	\$169.01	Bldg. 3	\$173.24
Bldg. 4	\$150.13	Bldg. 4	\$237.93

(17) The Respondent also submitted two multi building properties that reflected overall time adjusted selling prices of \$133.03 and \$147.42 per s.f. overall, compared to the subject's overall rate of \$141.58 per s.f.

### **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) The Board is not convinced by the Respondent's comparables. No doubt, the Respondent submitted a substantial number of industrial sales, the majority of which displayed selling prices per s.f. that are higher than the subject's assessment. However, the results of the data was inconsistent, and none of the data were specifically related to the subject in any meaningful way.

(20) The Board is equally unconvinced with the Complainant's individual sales analysis. However, the aggregate analysis, and the result, was sufficient to raise some question as to the accuracy of the current assessment in the minds of the Board.

(23) 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.

(24) Once the Complainant has provided sufficient evidence and argument to cast doubt on the existing assessment, the onus shifts to the Respondent to demonstrate that the assessment is correct. The Board finds that the Complainant has provided sufficient evidence and argument to shift the burden to the Respondent, and the Respondent has not supported the assessment as being correct.

(25) The Board concludes that the \$107 per s.f. indicator produced by the Complainant's three sales is the most reliable indicator available within the evidence presented.

DATED AT THE CITY OF CALGARY THIS

12

DAY OF September, 2014.

Presiding Officer

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

NO.	ITEM
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|----|---------------------------|
| 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.*

**For MGB Administrative Use Only**

Decision No. CARB 74343P/2014			Roll No. 112140900	
<u>Subject</u>	<u>Type</u>	<u>Issue</u>	<u>Detail</u>	<u>Issue</u>
CARB	Multi building warehouse	Market Value	Sales comparison	Comparables