



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:

Telsec Property Corporation, and Dallas Development Corporation Inc. (as represented by Altus Group Ltd) COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

***Board Chair; J. Zezulka
Board Member; M. Bruton
Board Member; B. Jerchel***

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: 757092622

LOCATION ADDRESS: 16 Shawville Rise SE

FILE NUMBER: 74546

ASSESSMENT: \$1,710,000

This complaint was heard on the 18th day of June 2014 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 2.

Appeared on behalf of the Complainant:

- *B. Neeson, Agent, Altus group*

Appeared on behalf of the Respondent:

- *B. Thompson, Assessor, City of Calgary*
- *S. Turner, 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, and the CARB proceeded to hear the merits of the complaint as outlined below.

Property Description:

(2) The property consists of a free standing car wash, located in Shawnessy Power Centre in SE Calgary. The property is comprised of five car bays, and two truck bays, and contains 5,524 square feet (s.f.). The building is located on a triangular shaped land parcel of 0.89 acres that is separately titled. A railway right of way forms the land's west boundary. The subject land is designated Commercial - Neighborhood 2. The property is physically separated from most of the balance of the power centre by Shawville Rise.

Issues / Appeal Objectives

(3) The issue brought forward by the Complainant is the valuation technique, from which flows a question of equity. The subject is currently assessed using the cost approach. The City values the land at \$1,276,853, and adds the building at \$435,467. The building value is derived from the Marshal & Swift Valuation Service.

(4) The Complainant argues that the subject should be valued using the income approach, which is the approach used to value some other car washes in the City. In doing so, the appropriate annual rent should be \$14.50 per s.f.

Complainant's Requested Value:

(5) \$1,190,000

Board's Decision:

(6) The assessment is reduced to \$1,270,000.

Legislative Authority, Requirements and Considerations:

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

(8) 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"

(9) 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."

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

Position/Evidence of the Parties

(11) The Respondent argues that there are two distinct types of car wash properties, and each type requires that a different valuation approach be applied. The same valuation process and distinction between property types is also applied to service stations and gas bars.

(12) For these classes of property, those that are not located on a separate land parcel are assessed using the income approach. Those that are situated on a separately titled parcel are assessed using the cost approach.

(13) In support of his request, The Complainant argued that the practise of assessing the same or similar business enterprise by different methods produces inequity in assessments.

(14) As an alternative to the City's cost method, the Complainant submitted six car wash properties that generate rent that could be used to apply an income approach valuation for the subject, (page 21 of C1). The rents submitted range from \$12.00 to \$17.72 per s.f. with a mean and median of \$15.29 and \$14.50 per s.f.. All of these properties are assessed by the City using the income approach, using an assessed rent of \$14.50 per s.f.

(15) When the Board examined the data submitted by the Complainant, it was noted that at least one of the leases was reflected by a free standing car wash, even though it was not the only improvement on the site.

(16) In addition to the data, the Complainant submitted an additional comparable at 250 - Shawville Blvd. SE, that was assessed using the income approach, with a typical rent of \$14.50 per s.f.. This comparable is in the same vicinity as the subject.

(17) For the income calculations, the Complainant adopted the City's \$14.50 per s.f. rent, with a typical vacancy of 1.0 per cent, typical vacant space shortfall, and non-recoverable allowance, and a capitalization rate of 6.50 per cent, all of which are typical inputs used by the City in the income valuations applied to car washes in other centres. The value conclusion is the same as the requested assessment.

(18) The Respondent presented three free standing car wash properties(Page 39 of R1), that have been assessed using the cost approach, as equity comparables. All of these are on separately titled land parcels.

(19) The Complainant produced a calculation that showed that the existing subject building would have to produce a triple net rent of \$19.15 per s.f.(page 14 of C1) to support the assessment established by the City.

Board's Reasons for Decision:

(20) This Board will not identify a preference as to which valuation approach should be used to determine the assessed value of any property. It is the assessed value that this Board is

authorized to adjudicate. That is not to say that an alternative method of valuation cannot be applied. However, any alternative method must be as equally well founded in market evidence as the method already being employed. At the same time, the result must not only reflect market value, but it also must reflect the fairness and equity that is also an underlying principle of assessment.

(21) The Board was not convinced by the evidence presented by the Respondent that the City had adopted a fair and equitable approach to the assessment of this class of property. Furthermore, the Respondent did not present any evidence to illustrate to the Board that any of their assessment calculations are supportable in the market place, or even technically correct,

(22) The City's practice of applying two separate approaches to value similar type properties might be correct from a technical point of view. However, the results hold significant potential for inequity in assessment. In this case, because of the large variation in assessments between two similar use properties, the entire notion of fairness comes into question.

(23) The fact that the subject is situated on a separately titled land parcel is fully recognized by this Board. However, based on the rent data submitted by the Complainant, the Board is convinced that the income required to achieve a value equal to the existing assessment is simply not achievable with the existing improvements.

(24) As of the relevant date, the rent that the property was capable of generating as a car wash was not sufficient to justify the land investment, or assessed land value. Therefore, in order for the assessed land value to have validity, there must be an alternate use forthcoming. If not, then the assessed land value is too high. Alternatively, the existing building has no contributive value.

(25) If the highest and best use is, in fact, the existing use, then the assessed land value cannot be supported and should be reduced accordingly. That does not appear to have been done in this instance. Alternatively, if the highest and best use is an alternative use, then no value should be attributed to the existing building, except, perhaps, as salvage, which is more often than not offset by demolition costs. This Board takes direction from past City practise to employ land value only in situations where the income approach calculations do not equal or exceed the undeveloped land value.

(26) Having said that, this Board concludes that either the income valuation approach applies, or the subject's market value lies in the land value only.

(27) The assessment is reduced to \$1,270,000, which is the land value only, truncated.

DATED AT THE CITY OF CALGARY THIS 23rd DAY OF July 2014.



Jerry Zezulka

Presiding Officer

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

(a) the assessment review board, and

(b) any other persons as the judge directs.

Decision No. CARB 74546P/2014			Roll No. 757092622	
<u>Subject</u>	<u>Type</u>	<u>Issue</u>	<u>Detail</u>	<u>Issue</u>
CARB	Car Wash	Market Value	Income v. cost approach	Equity, highest and best use