



Calgary Assessment Review Board

DECISION WITH REASONS

In the matter of the complaint against the 2014 property assessment as provided by the *Municipal Government Act*, Chapter M-26, Section 460, Revised Statutes of Alberta 2000 (the Act).

between:

***Calgary Industrial Properties Ltd., COMPLAINANT
(as represented by Altus Group)***

and

The City Of Calgary, RESPONDENT

before:

***I. Weleschuk, PRESIDING OFFICER
J Lam, BOARD MEMBER
J. Massey, BOARD MEMBER***

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:	033036708
LOCATION ADDRESS:	4710 14St NE
FILE NUMBER:	75648
ASSESSMENT:	\$7,910,000

This complaint was heard on 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 4.

Appeared on behalf of the Complainant:

- *M. Robinson, Agent – Altus Group*

Appeared on behalf of the Respondent:

- *F. Taciune, Assessor – City of Calgary*

Procedural or Jurisdictional Matters:

[1] The Board as constituted to hear and decide on this matter was acceptable to both parties.

Preliminary Matters:

[2] No preliminary matters were raised either at the commencement or during the hearing.

Property Description:

[3] The subject property is located at 4710.14 St NE, in the McCall Industrial District of northeast Calgary. The site is 4.04 acres. Two multi-tenant warehouses of 28,200 and 44,700 square feet (SF) (total 64,831 SF) are located on the site, with twelve bays in the larger building and nine bays in the smaller building (average bay size of about 3,515 SF). This results in site coverage of 41.45%. The buildings were constructed in 1974 and are very similar. Each bay has a man-door at the front, and a man-door and ground level overhead door at the rear. The building is cinder-block construction, with exterior cladding around the upper portion of the building, and brick finish on the front face. There is no mezzanine area. The Assessment Explanation Summary indicates a percent finish of 30 for the larger building and 27 for the smaller building.

[4] 2014 property tax assessment is done using a Direct Sales Approach. This approach involves using all valid industrial sales inputted into the assessment model, which adjusts for a number of characteristics. The resulting assessment is \$7,910,000 (\$107/SF).

Issues:

[5] The Complainant's position is that the 2014 Property Assessment value is greater than the market value of the subject, based on the Direct Sales Approach. The only issue before this Board is:

- Is the assessed value correct, and if not, what is the correct value for assessment purposes?

Complainant's Requested Value:

\$6,490,000

Board's Decision:

[6] The 2014 Property Assessment of \$7,910,000 is confirmed. Based on the comparable sales presented by the Complainant, the Board is not persuaded that the subject property is incorrectly assessed.

Legislative Authority, Requirements and Considerations:

[7] Section 4(1) of Matters Relating to Assessment and Taxation Regulation (MRAT) states that the valuation standard for a parcel of land is "market value". Section 1(1)(n) defines "market value" as "the amount that a property, as defined in Section 284(1)(r) of the Act, might be expected to realize if it is sold on the open market by a willing seller to a willing buyer." Section 467(3) of the Act states that "an assessment review board must not alter any assessment that is fair and equitable, taking into consideration (a) the valuation and other standards set out in the regulations". The issues raised in the Complaint may refer to various aspects of the assessment or calculation of the assessed value, and may be addressed by the Board. However, the ultimate test that the Board must apply is whether the assessed value reflects the market value of the assessed property.

[8] The Board notes that the words "fair" and "equitable" are not defined in the Act or its Regulations. Equitable is defined in Black's Law Dictionary (Seventh Edition, West Group, St. Paul, Minnesota, 1999) as "just, conformable to principles of justice and right". For the purpose of this decision, the Board considers an assessment that reflects market value to be "fair and equitable" as the taxpayer is being assessed in accordance with the assessment standard applied to all properties in that property category.

Issue 1: Is the assessed value correct, and if not, what is the correct value for assessment purposes?**Complainant's Position:**

[9] The Complainant's position is that the \$107/SF assessed value is higher than the market value of the subject property. The Complainant stated that the market value of the subject property, based on Comparable Sales of similar properties is \$88/SF, which results in the requested assessed value of \$6,490,000.

[10] In Exhibit C1, the Complainant presents three Comparable Sales (summarized on page 15) with supporting documentation. The Sales are all taken from the City's Industrial Sales database provided to the Complainant, and the time adjusted sale prices are taken from this same City database. Therefore, the three sales presented are considered valid sales because they are used by the City in preparing the assessment. Furthermore, there is no dispute as to the time adjustment, because the Complainant accepts the time adjustments used by the City.

[11] The three Comparable Sales presented have a time adjusted sale price of \$88/SF, \$89/SF and \$77/SF. The Complainant stated that the property located at 3905 29 St NE, with a sale price of \$88/SF, is the best indication of the market value of the subject and used this value as the basis for the requested assessment.

[12] The Complainant stated that the three most important factors in the model (the three factors that have the greatest influence on the resulting value) are actual year of construction (AYOC), assessable building area and % site coverage. The basis of this statement is discussions with assessors and evidence presented by assessors in previous hearings over many years. The Complainant argued that the three Comparable Sales presented are all very similar to the subject on these three factors and therefore are a good indication of market value.

[13] In rebuttal, the Complainant argued that bay size is not a factor considered in the assessment model, therefore is not a factor that should be considered in determining the comparability of properties. Assessable building area is a factor in the model and one of the key factors influencing value, based on discussions with various assessors.

[14] In rebuttal, the Complainant summarized its position on the Respondent's comparable sales on page 4 of Exhibit C2. The comparable sales are presented by the Respondent on page 69, Exhibit R1). The Complainant argued that:

- the three comparable sales presented by the Respondent (2801 18 St NE being 18,028 SF, 1314 44 Av NE being 19,129 SF and 1423 45 Av NE being 37,018 SF) are all much smaller buildings than the subject 73,831 SF and therefore not comparable.
- the Sale property located at 3202 12 Av NE is a single tenant building, so not comparable.
- the Sale properties located at 5049 74 Av SE, 7403 30 St SE and 7504 30 St SE are all located in the southeast quadrant of the City and in a much different market, so are not comparable, plus one is a single tenant building.

[15] The Complainant referred to the analysis on page 4 Exhibit C2, to demonstrate that the Complainant's comparable sales were the best indicators of value, and that \$88/SF is the correct value of the subject property.

Respondent's Position:

[16] The Respondent stated that the City uses all valid sales of industrial property in the municipality in its assessment model. The model analyses the sales and develops coefficients for the nine factors in the model, including AYOC, assessable building area and site coverage. But, all nine factors influence the model results. It is incorrect to say that one factor has a greater influence than another, because they are all important. The sales used exhibit a range of value. The model provides a value within an acceptable range of the market value. The City is required to use mass appraisal. As such, the resulting value is not an appraised value for each specific property.

[17] The Respondent took the position that bay size is an important factor that influences value. It may not be a factor used in the model, but it appears to be a factor in the market. To demonstrate, the Respondent presented a table of Sales on page 69, Exhibit R1. Three sales have bay sizes ranging from 4,506 to 6,170 SF with a range of time adjusted sale prices (TASP) from \$115.08 to \$181.67/SF. Four sales have bay sizes ranging from 14,960 to 55,000 SF, with TASP from \$97.65 to \$131.37/SF. Other characteristics for these seven sales are similar, but no adjustments were made for these other characteristics. The smaller the bay size, the higher the per square foot of the building, because rent for smaller bays is more per square foot than for larger bays. The Respondent presented some Assessment Request For Information (ARFI) documents and rent rolls for various properties to demonstrate that rents for smaller sized bays are higher than rents for larger sized bays. The Respondent also argued that there is a larger market for smaller bay sizes, so that will be another reason that smaller bays rent for a higher value than larger bays. While the income approach is not used to derive the 2014 assessment for this property type, potential income influences sale price in the real estate market.

[18] Regarding the Complainant's Comparable Sales, the Respondent argued that they exhibit the following weaknesses:

- the sale located at 3905 29 St NE is part of a portfolio sale. The transfer document allocates a value to this property, but there is no support for how this value was determined. Therefore the sale price is not reliable.
- the sale located at 3650 12 St NE is a single tenant property with a total building area of 51,200 SF, so not similar to the subject.
- the sale located at 1324 36 Av NE has some 10,000 SF of second storey office and a bay size of 17,881 SF, so is not a good comparable sale.

[19] The Respondent presented its analysis on page 69, Exhibit R1. The three comparable sales with similar bay size to the subject have a TASP of \$181.67/SF, \$124.28/SF and \$115.08/SF. The Respondent argued that this supports the assessment, done at a value of \$107/SF.

Findings of the Board:

[20] Based on the evidence presented by the Respondent (page 69, Exhibit R1), bay size appears to have some influence on price. The Complainant argued that assessable building area is the more important factor, but did not present any evidence to demonstrate this position. The Board finds that bay size should be considered in evaluating the comparability of sales to the subject within the set of sales data presented.

[21] The Board understands that the reason the Respondent presented rental data was to support the bay size argument. This assessment is not done using the Income Approach, therefore, the rental information is not relevant to the matter at hand and given no weight.

[22] Regarding the comparability of multi building properties and single building, the Board has discussed this issue at length in many previous decisions. For a more detailed discussion, the Board refers the reader to CARB 72998P/2013 or CARB 70547/P-2013. A multi building property can be considered comparable to a single building property if the buildings on the multi building property are identical or very similar, and function or are operated in an identical or very similar manner.

[23] The Complainant presented considerable argument related to the importance of % site coverage and how much influence this factor has in the calculation of a property's value. The "typical" site coverage used in the assessment model is 30%. Properties with a site coverage of less than 30% are considered superior, and apparently the value of these properties is higher than a similar property with a site coverage of more than 30%. The value of a property is apparently very sensitive to % site coverage. That said, the Complainant did not provide any quantification of this relationship. The Board was presented with the theory and asked to consider the site coverage of the various comparable sales with that of the subject. No evidence was presented related to the quantum of any possible adjustment. While the Board can accept that % site coverage is an important and influential factor in the valuation of a property and understand the direction of the adjustment based on the % site coverage of a given property, without some quantification of this influence, it is not possible to use this information to derive a specific value for the subject property. The Board considered this factor as one of the factors related to comparability, but is not able to apply the data directly to determine if the subject is incorrectly assessed.

[24] The Board notes that all the comparable sales presented are similar to the subject, but are not identical. The Board was asked to use qualitative concepts to derive the value of the subject property. The Board is tasked with determining the market value of the subject property, which is the standard for assessment purposes. Parties that rely on one or two factors to make their case should provide evidence with appropriate quantitative adjustments. It is not the Board responsibility nor is it appropriate for the Board to undertake an independent analysis of the data. The Board must use the evidence presented at the hearing to arrive at its decision.

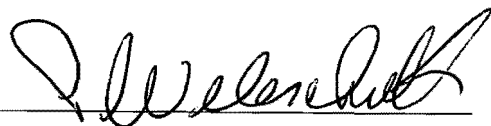
[25] The Board notes the wide range of sale prices for the comparable sales presented by both parties. The requested assessment of \$88/SF is based on a portfolio sale. A portfolio sale is not automatically a poor comparable sale, but additional information must be provided to demonstrate that the value allocated to each of the properties in the portfolio is indeed the market value of each property. The characteristics of the other two comparable sales presented by the Complainant are not very similar to the subject (single tenant, substantial office component and bay size). The Board does not find these three comparable sales reliable and therefore they do not demonstrate that the 2014 Assessment is incorrect.

[26] The Board notes that equity was not raised as an issue by the Complainant. The Respondent presented a table to demonstrate that the subject property is equitably assessed, but as this was not an issue, the Board put no weight on this information.

Board's Reasons for Decision:

[27] The Board considered the evidence presented by the Complainant and found that it could not rely on the three comparable sales presented to indicate the market value of the subject. Therefore the Complainant failed to demonstrate that the 2014 Assessment is incorrect. The Board confirms the 2014 Assessment of \$7,910,000.

DATED AT THE CITY OF CALGARY THIS 14 DAY OF July 2014.



I. Weleschuk

Presiding Officer

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

NO.	ITEM
1. C1	Complainant Disclosure
2. C2	Complainant Rebuttal
4. 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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Subject	Type	Sub-Type	Issue	Sub-Issue
CARB	Commercial	Industrial	Sales Comparison	% site coverage Assessable building area Bay size