



**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:

***Investors Group Trust Co. Ltd.***  
***(represented by Altus Group), COMPLAINANT***

and

***The City Of Calgary, RESPONDENT***

before:

***Ms. V. Higham, PRESIDING OFFICER***  
***Mr. P. Loh, BOARD MEMBER***  
***Mr. J. Mathias, BOARD MEMBER***

This is a complaint to the Calgary Assessment Review Board (the Board) in respect of a property assessment prepared by the Assessor of The City of Calgary (the City) and entered in the 2014 Assessment Roll as follows:

<b>ROLL NUMBER:</b>	<b>116013392</b>
<b>LOCATION ADDRESS:</b>	<b>8080 36<sup>th</sup> Street SE</b> <b>Calgary, Alberta</b>
<b>FILE NUMBER:</b>	<b>75748</b>
<b>ASSESSMENT:</b>	<b>\$30,830,000</b>

This complaint was heard on the 30<sup>th</sup> day of June, 2014 at the office of the Calgary Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom 4.

Appeared on behalf of the Complainant:

- **Mr. J. Weber**                      **Agent, Altus Group**

Appeared on behalf of the Respondent:

- **Mr. J. Tran**                      **Assessor, City of Calgary**

**Procedural or Jurisdictional Matters:**

- [1] Neither party objected to the composition of the Board as introduced at the hearing.
- [2] The Board notes an executed Agent Authorization Form present in the file.
- [3] All disclosure materials were received in a timely fashion.
- [4] No preliminary issues were raised by either party.
- [5] Upon request, the Board agreed to carry forward the Complainant's rebuttal evidence and arguments from "lead file" #73960, heard by this panel the same week.

**Property Description:**

- [6] The subject is assessed as a multi-tenant industrial warehouse property (IWM), located at 8080 36<sup>th</sup> Street SE. With 46% site coverage, the parcel is improved by two buildings constructed in 1979, comprising 344,971 and 60,555 square feet (sf) of space, and per square foot (psf) assessed values of \$74.44 and \$85.19 respectively, based on a direct sales approach to value.

**Issues:**

- [7] The Complainant identified one matter on the Complaint Form as under complaint, being the assessment amount. During the hearing, the Complainant requested a different assessment amount (\$25,900,000) than originally noted on the Complaint Form (\$17,430,000), and raised the following issue for the Board's consideration:

- 1) What is the correct psf value to apply to the subject property: the assessed \$76 or the requested \$64?

**Complainant's Requested Value: \$25,950,000**

**Board's Decision:** The Board varies the subject assessment from \$30,830,000 down to **\$28,790,000.**

**Legislative Authority, Requirements and Considerations:**

[8] A Composite Assessment Review Board (CARB) derives its authority from the Act, section 460.1, which reads as follows:

- (2) Subject to section 460(11), a composite assessment review board has jurisdiction to hear complaints about any matter referred to in section 460(5) that is shown on an assessment notice for property other than property described in subsection (1)(a).

Section 293 of the Act requires that:

- (1) In preparing an assessment, the assessor must, in a fair and equitable manner,
  - (a) apply the valuation and other standards set out in the regulations, and
  - (b) follow the procedures set out in the regulations.

Section 2 of the *Matters Relating to Assessment and Taxation Regulations* (the MRAT) states:

- (2) 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.
- 4(1) The valuation standard for a parcel of land is
  - (a) market value, or
  - (b) if the parcel is used for farming operations, agricultural use value.

**Position of the Parties**

**Issue: What is the correct psf value to apply to the subject property: the assessed \$76 or the requested \$64?**

**Complainant's Position:**

[9] The Complainant submitted CARB decisions 1439/2010-P, 1791-2012-P, and 0735-2012P in support of his argument that the subject property ought to be assessed using a total building size figure, rather than the City's separate psf figures ascribed to each of the subject's two buildings. The Complainant asked that his requested \$64 psf rate be applied to the subject's total building size (405,526 sf).

[10] The Complainant further argued that the size of the subject's disputed main building makes it virtually impossible to find equity or sales comparables (comps) closely similar to the subject, noting that even the best comps he found were nearly half the subject's size.

[11] The Complainant submitted an equity table of four comparable properties yielding median/mean rates of \$77 and \$78 psf respectively, as well as a sales table of three comparable properties, with median/mean time adjusted sale (TASP) rates of \$73 and \$71 psf respectively.

[12] Since the assessment-to-sales-ratios (ASRs) of these comps were divergent (over by 9%, under by 9% and the third at nearly 100%), and since the properties in both tables were significantly smaller than the subject, the Complainant argued that the only way to quantify the subject's over-assessment was to calculate the difference in assessed rates between two of the properties in his equity table, then subtract *that* difference from the subject's assessed rate psf.

[13] The Complainant highlighted his equity comps #1 and #3 (\$88 and \$76 psf respectively), and argued that since all factors related to these two comps were similar excepting building size (#3 being nearly double the size of #1), the Board ought to rely on the difference between these two rates (approximately \$12 psf) as the basis for which to reduce the subject's assessed value.

[14] The Complainant further argued that since the subject is so much larger than either of these two highlighted properties, the requested \$64 rate adequately reflects the economies-of-scale calculation inherent the subject's value.

[15] The Complainant noted that the most similar of his comps to the subject (comp #1) is over-assessed by 9%, further justifying the requested 12% reduction to the psf rate. The Complainant also challenged the comparability of the Respondent's two north east comps.

#### **Respondent's Position:**

[16] The Respondent submitted the City's table analysing five sales (three of which were common to the Complainant's study), yielding median/mean rates of \$78 and \$89 psf respectively.

[17] The Respondent also submitted three supporting valuations based on an income approach analysis, utilizing three different vacancy/capitalization (cap) rate combinations derived from the subject's Assessment Request for Information (ARFI) data – yielding hypothetical valuations of \$39,020,000; \$33,930,000; and \$32,670,000.

[18] The Respondent also submitted a cost approach analysis, yielding a hypothetical valuation of \$30,980,000 in support of the assessment.

[19] The Respondent challenged the similarity to the subject of several equity and sales comps in the Complainant's tables, as well as the reliability of the Complainant's analysis used to derive the requested 12% reduction.

#### **Board's Reasons for Decision:**

[20] The Board finds that the correct value to apply to the subject is \$71 psf.

[21] In analysing the respective sales of both parties, the Board acknowledges that all property characteristics influence the City's regression analysis in some manner, but some influence value more than others.

[22] Since no evidence was submitted by either party relative to how the Board might quantify the various factor adjustments needed to make the sales more reliably comparable to the subject, the Board focused on three key factors: *building size*, *year of construction*, and *site coverage* as most relevant to its analysis.

[23] The Board places no weight on the Respondent's hypothetical income and cost analyses since these approaches rely on numerous unproven assumptions, as well as the mixing of actual and typical variables to derive hypothetical valuations.

[24] The Board excluded the Respondent's two sales comps not common to the Complainant's table, because these properties were significantly newer and located in the north east region of the city, which generally yields higher rates than the south east.

[25] The Board finds the Complainant's requested \$12 reduction to the assessed psf rate unsupported by the evidence, noting that the analysis used to derive this request is arbitrary and tenuous. If the same analysis were applied to the Complainant's comps #1 and #2 (rather than #1 and #3), the resulting difference would be \$3 psf rather than the requested \$12.

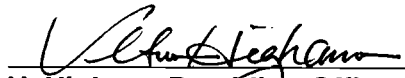
[26] Removing two of the Respondent's comps leaves the Board to consider the three sales common to both parties. The Board acknowledges that the subject would command an economies-of-scale reduction factor, but has no way of *quantifying* the various factor adjustments needed to make the sales more reliably comparable to the subject.

[27] Thus on the evidence, the Board finds the best indicator of value is derived by averaging the three sales common to both parties, yielding a mean value of \$71 psf. Applying this rate to the combined building size of the subject property results in a valuation of \$28,790,000 truncated.

**Board's Decision:**

[28] For reasons outlined herein, the Board varies the subject assessment from \$30,830,000 down to **\$28,790,000**.

DATED AT THE CITY OF CALGARY THIS 30<sup>th</sup> DAY OF July 2014.

  
V. Higham, Presiding Officer

## APPENDIX "A"

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

<b>NO.</b>	<b>ITEM</b>
1. C1	Complainant's Disclosure
2. R1	Respondent's Disclosure
3. C2	Complainant's Rebuttal

*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 Administrative Use Only – Roll Number 116013392**

<b>Municipal Government Board Use Only: Decision Identifier Codes</b>				
<b>Municipality/Appeal Type</b>	<b>Property Type</b>	<b>Property Sub-Type</b>	<b>Issue</b>	<b>Sub-Issue</b>
Calgary CARB	Warehouse	Warehouse Multi-Tenant	Sales Approach Equity	Land & Improvement Comparables Equity Comparables