

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:

H. BUSINESS PARK (A&B) GP INC.

(as represented by AVISON YOUNG PROPERTY TAX SERVICES), COMPLAINANT

and

The City Of Calgary, RESPONDENT

before:

E. K. Williams, PRESIDING OFFICER

I. Fraser, BOARD MEMBER

J. Kerrison, 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: 031022908

LOCATION ADDRESS: 2730 39 AV NE

FILE NUMBER: 76928

ASSESSMENT: \$14,870,000 (\$134.66 per square foot)

This complaint was heard on 14th day of July, 2014 in Boardroom 6 at the office of the Assessment Review Board located at Floor Number 3, 1212 – 31 Avenue NE Calgary, Alberta.

Appeared on behalf of the Complainant:

- J. Mayer Agent, Avison Young Property Tax Services

Appeared on behalf of the Respondent:

- N. Domenie Assessor, The City of Calgary

Board's Decision in Respect of Procedural or Jurisdictional Matters:

[1] The parties identified to the Board that the evidence and arguments to be presented in respect of the hearing on the subject property will be the same as presented in respect of File # 76920 for Property Roll #031024003 and requested that the evidence and arguments be carried forward to the subject property. It was accepted that the Board's findings and decision regarding the matter would therefore be common to the subject property. The Board found this to be an appropriate approach to the matters at hand.

[2] No additional Procedural or Jurisdictional Matters were raised by the parties.

Property Description:

[3] The subject property at 2730 39 AV NE is a 110,464 square foot (SF) multi tenant industrial warehouse building on 5.39 acres of land with a 2000 year of construction (YOC) in the community of Horizon. The subject is assigned a quality classification of A-, an Industrial-General land use designation, a Property Use: Industrial and Subproperty Use: IN0701 Warehouse with 3 or more units (IW M).

[4] The assessment was prepared on the Sales Comparison Approach.

Issues:

[5] The assessed value of the subject property is not reflective of market value.

Complainant's Requested Value: \$13,240,000 [\$119.87 square foot (psf)]

Board's Decision:

[6] The assessment is confirmed as \$14,870,000 (\$134.61psf)

Legislative Authority, Requirements and Considerations:

[7] The Act Section 293 Duties of Assessors 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 regulation.*

[8] Matters Relating to Assessment and Taxation Regulation (MRAT) Part 1 Standards of Assessment Section 2 Mass Appraisal requires that:

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.*

and Section 4 Valuation standards for a parcel of land requires

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

[9] The Complainant and Respondent presented a wide range of evidence consisting of relevant and less relevant evidence. In the interests of brevity, the Board will restrict its comments to those items the Board found relevant to the matters at hand. Furthermore, the Board's findings and decision reflect on the evidence presented and examined by the parties before the Board at the time of the hearing.

[10] The Complainant's evidence package included a Summary of Testimonial Evidence, aerial photographs identifying the location of the property, photographs of the subject property, the City of Calgary 2014 Assessment Notice, 2014 Assessment Explanation Supplement Industrial, 2014 Property Assessment Detail Report, Comparable Market Transactions including supporting documentation for each comparable, City of Calgary Assessment Information related to the Property Uses IN0701, as well as a number of table related to rental rates, vacancy rates, occupancy costs and determination of the Cap Rate in support of their income approach. Documentation related to time adjustments and the Colliers International Market Report Calgary Alberta.

[11] The Respondent's evidence package included a Summary of Testimonial Evidence, photographs of the exterior of the subject property, the 2014 Assessment Explanation Supplement Industrial, 2014 Assessment Request For Information (ARFI), the Tenant Rent Roll, Comparable Market Transactions with supporting documentation for each comparable including the RealNet Industrial Transaction Summary and documentation related to the Income Approach including the Colliers International Canada Cap Rate Report.

[12] Both parties placed technical, professional and academic excerpts before the Board in support of their position. This Board finds that any specific passage or quote (i.e. excerpt) from a larger document may not capture the true intent of the document and is, therefore, seen by the Board as incomplete material and may be given limited weight.

Complainant's Position:

[13] The Complainant presents the details on three sale comparables with the Subproperty Use IN0701 Warehouse with 3 or more units (IW M) which is the same as the subject property. Supporting documentation for the comparables including the RealNet Industrial Transaction Summary was presented on pages 17 to 33 of Exhibit C1. The following table presents the particulars on the subject and the sales comparables.

Comparable	Municipal Address	Building Area SF	YOC	% Finished	Site Coverage	Sale date (mm/yyyy)	Unadjusted Sale Price	TASP psf*
1	930 64 Av NE	118,402	1997	9.0%	42.5%	03/2011	\$12,600,000	\$119.87
2	3905 29 St NE	96,804	1981	0.0%	44.0%	10/2010	\$7,600,000	\$88.43
3	903 28 St NE	143,154	1999	25.0%	42.0%	11/2010	\$12,075,865	\$95.02
Subject	2730 39 Av NE	110,464	2000	38.3%	47.05%			

*The Time Adjusted Sale Price (TASP) based on the City of Calgary Assessment Department Time Adjustment monthly factor pf 0.0704% (page 5 Exhibit C1).

For the sample of 3 comparables the mean TASP is \$101.11 psf and the median TASP is \$95.02 psf. The comparable at 930 64 Av NE was considered by the Complainant to be the most similar to the subject and the TASP of \$119.87 psf supports the requested assessment.

[14] In support for the request assessment the Complainant prepared an Income Approach (pages 7 to 11 Exhibit C1). The methodology used both actual and typical parameters to derive the Net Operating Income (NOI) and a cap rate. Based on the NOI for subject property and the derived cap rate an estimate of value for the subject property was \$13,007,047.

[15] In summary the Complainant argued the analysis of sales comparables and the value determined by the Income Approach support the requested assessment.

Respondent's Position:

[16] Respondent reviewed the table titled 2014 Industrial Sales Chart (page 32 Exhibit R1) which presented particulars on seven properties considered to be comparable to the subject property. Four of the seven comparables were part of two July 2011 portfolio sales. The Respondent argued that it is necessary to include the portfolio sales to have a sample representative of the market. The subject property was included in the sample of seven comparables as well as one of the four properties included in one of the July 2011 portfolio sales.

[17] Based on the sample of seven comparables the median TASP is \$119.33 psf and the mean is \$117.56 psf.

[18] In respect of the subject property the Time Adjusted Sale Price reported in the chart on page 32 Exhibit R1 is \$15,665,650 (\$141.82 psf). This TASP is supported because when compared to the sample the subject property has 8 units and a 38.0% finish ratio which is the highest of the sample for each of those building characteristics.

[19] In summary the analysis of the seven sale comparables, the profile of the subject property compared to the sample and the TASP of the subject support the assessment of \$134.61 psf.

Board's Reasons for Decision:

[20] The Respondent's sample included two properties classified as Industrial warehouse 2 or less units (IW S) building type and five properties classified as IW M including the subject property. The median TASP for the IW M's was \$127.46 psf and the mean was \$121.55 psf. Further analysis of the IW M's identified that the subject differed from the other 4 IW M in terms of:

- 1) % finished for the four comparables was 9.0%, 14.0%, 14.0% and 27% compared to the subject at 38%, and
- 2) number of units was three units for three of the comparables, five units for one comparable and the subject having eight units

The higher % finished and number of units would be supportive of the higher TASP for the subject relative to the median and mean for the five IW M properties.

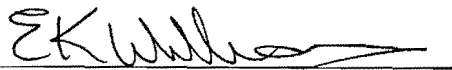
[21] In support of the requested assessment the Complainant presented three sale comparables. Comparable 1 at 930 64 Av NE was considered by the Complainant to most similar to the subject and support for the requested assessment of \$119.87 psf. Based on the building profile presented in paragraph [13] the subject was similar to the best comparable on the basis of building area, yoc and site coverage but differed on % finished with the subject property having 38.3% finished compared to 9.0 % finished for the best comparable.

[22] This level of difference in % finished between the subject and the Complainant's best comparables would typically be recognized by an upward adjustment. The Complainant's evidence is silent on the difference in % finished, recognition of the difference and how it may impact on the TASP and the assessment.

[23] In summary, the Board does not find the comparables relied on by the Complainant to be sufficiently comparable to the subject. Adjustments are required, yet none were presented.

[24] Based on the evidence presented the Board confirms the assessment.

DATED AT THE CITY OF CALGARY THIS 25th DAY OF August 2014.



E. K. Williams

Presiding Officer

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

NO.	ITEM
1. C1	Complainant Disclosure
2. 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.*

ADMINISTRATIVE USE

Appeal Type	Property Type	Property Sub-Type	Issue	Sub-Issue
CARB	Warehouse	Multi Tenant	Sales Approach	Comparables