

**CALGARY  
ASSESSMENT REVIEW BOARD  
DECISION WITH REASONS**

In the matter of the complaint against the Property/Business assessment as provided by the *Municipal Government Act*, Chapter M-26, Section 460(4).

**between:**

***Altus Group Ltd., COMPLAINANT***

**and**

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

**before:**

***M. Vercillo, PRESIDING OFFICER***

***I. Fraser, MEMBER***

***A. Zindler, MEMBER***

This is a complaint to the Calgary Assessment Review Board in respect of Property assessment prepared by the Assessor of The City of Calgary and entered in the 2010 Assessment Roll as follows:

**ROLL NUMBER: 033035007**

**LOCATION ADDRESS: 1323 MCKNIGHT BV NE**

**HEARING NUMBER: 57661**

**ASSESSMENT: \$1,310,000**

This complaint was heard on 20th day of July, 2010 at the office of the Assessment Review Board located at Floor Number 4, 1212 – 31 Avenue NE, Calgary, Alberta, Boardroom #3.

Appeared on behalf of the Complainant:

- Mr. G. Kerslake (Altus Group Ltd.)

Appeared on behalf of the Respondent:

- Mr. M. Berzins (The City Of Calgary)

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

The Complainant raised an issue with regards to the fact that he was present during the interview of the Presiding Officer in his appointment to the Municipal Government Board.

Upon hearing that, the Presiding Officer asked if there were any objections to his remaining as the Presiding Officer for this hearing. Hearing no objections, the meeting continued.

**Property Description:**

The subject property is an industrial property containing one single tenanted building constructed in 1964. The subject property is located in the "McCall Industrial Park" district of NE Calgary. The building has a net rentable area of approximately 14,521 square feet (SF). The building is situated on an assessable land area of approximately 84,942 SF resulting in a building to site coverage of approximately 17%.

**Issues:**

The Complainant listed 14 points in his grounds for appeal, but during the hearing spoke specifically to the following issues:

- 1) The assessment regression model method used by the Respondent, failed to properly stratify or group sales of industrial property, included sales that have not been appropriately adjusted to reflect market conditions, and included sales that should not have been included and is therefore incorrect and does not accurately reflect the market value for assessment purposes of the subject property.
- 2) The aggregate assessment per square foot applied is inequitable with the assessments and sales of other similar and competing properties.

**Complainant's Requested Value:**

\$1,000,000 amended to \$725,000 (at hearing)

**Board's Decision in Respect of Each Matter or Issue:**

- 1) Issue 1 (as above).
  - a) The Complainant's evidence.
    - i) The Complainant provided a large document that was marked "Appendix A" and was entitled "Excerpts: Market Value And Mass Appraisal For Property Assessment In

Alberta, Valuation Guide Introduction & Glossary". The Appendix is as stated in the title, a valuation guide for property assessment, describing the standard and accepted approaches to valuing property in Alberta. The Appendix also includes a capitalization rate (cap rate) study of various other industrial properties, Altus investment trend surveys, legal submissions and other documentation. In addition, the Appendix includes a "2010 Improved Industrial Properties Sales Used" by the City of Calgary (City) in their Direct Sales Comparison approach to value the subject property.

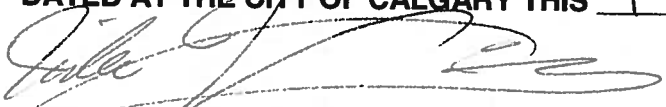
- ii) The Complainant also provided new evidence not previously disclosed labelled by the Board as "Exhibit 1". The Exhibit contained recent Calgary Composite Assessment Review Board (CARB) decisions specifically related to industrial property valuation as well as excerpts from the Matters Relating to Assessment and Taxation Regulation (MRAT).
- b) The Respondent's evidence.
- i) The Respondent provided a brief summary of three generally accepted practices or approaches to the valuation of property. Within that summary the Respondent provided evidence that stated that due to the abundance of market sales, industrial warehouse properties have been valued based on the sales comparison approach. The Respondent quotes various assessors' manuals and guides that simply stated, justify his approach to value and the Multiple Regression Analysis methodology used to value comparable properties to the subject.
  - ii) The Respondent also provided new evidence not previously disclosed labelled by the Board as "Exhibit 2". The Exhibit also contained recent Calgary (CARB) decisions specifically related to industrial property valuation.
- c) In reviewing the information provided by both parties the Board finds:
- (1) That we agree with the decisions made in the previous Calgary CARB decisions concerning valuation methodology. Specifically, ARB 0522/2010-P – "In short, the Board does not intend to identify preference on the valuation approach used by either of the parties.....Composite Assessment Review Boards judge the fairness and equity of the assessments which result from the valuation process, not the valuation process itself". This finding was also supported in ARB 0638/2010-P.
- 2) Issue 2 (as above).
- a) The Complainant's evidence.
- i) An Income Approach to value calculation was provided for the subject property using a net rentable area of 14,521 SF. The Complainant used a rental rate of \$7.00 per SF (derived from a chart of comparable properties), a vacancy rate of 3%, a management fee of 2%, a cap rate of 8%, and arrived at an estimate of value of \$1,207,820 for the building. The subject property had a surplus of land valued by the Complainant at \$276,808 (\$550,000 per acre). The total of the land and building estimate using the Income Approach was \$1,484,629. The subject property is 51% (on the basis of net rentable area) occupied by a tenant who is exempt from property taxation. Therefore, applying a 49% taxable factor to the aforementioned estimate of value, results in a taxable or assessable portion for the subject property of \$725,000.
  - ii) A chart of equity comparables was provided for single tenanted industrial properties and their respective 2010 assessments. The size of the comparable properties ranged from 11,707 SF to 25,996 SF. The assessments per SF of the comparables

- ranged from \$109 to \$167 with a median of \$149. Using the median of \$149 per SF to a net rentable area of 14,521 SF, the Complainant derived a value of \$2,160,000 for the subject property. The subject is currently assessed at rate of \$184 per SF. Again, applying the 49% taxable factor results in an assessable value of \$1,058,400
- iii) A chart of direct sales comparables was provided for single tenanted industrial properties. The size of the comparable properties ranged from 4,336 SF to 15,952 SF. The time-adjusted sales price per SF of the comparables ranged from \$69 to \$160 with a median of \$132. Using the median of \$132 per SF to a net rentable area of 14,521 SF, the Complainant derived a value of \$1,910,000 for the subject property. Again, the subject is currently assessed at rate of \$184 per SF. Again, applying the 49% taxable factor results in an assessable value of \$935,900
- b) The Respondent's evidence.
- i) A chart of equity comparables was provided comparing the 2010 assessments of similar properties to the subject's property. The size of the comparable properties ranged from 10,010 SF to 15,664 SF. The assessments per SF of the comparables ranged from \$175 to \$207. The subject property has an assessment rate per SF of \$184.
- ii) A chart of Industrial Sales Comparables was provided showing sales of comparable industrial buildings and their respective time-adjusted sale price per SF compared to the subject's assessment rate per SF. The chart indicates a range in sale price per SF of \$188 to \$230. Again, the subject property has an assessment rate per SF of \$184.
- iii) The Respondent presented evidence to rebut the sales presented by the Complainant in his Direct Sales Comparison approach to value. The evidence attempted to show that 4 of the 7 sales comparables used by the Complainant were invalid sales due to either they were non-arms length, vendor take back or land only sales.
- c) In reviewing the information provided by both parties the Board finds:
- i) That the Income Approach to value used by the Complainant, used a cap rate that was derived from dissimilar properties, using dissimilar rental rates, and then applied that cap rate to the subject.
- ii) That the value derived from the Income Approach used by the Complainant is not supported by values derived by neither the equity comparables nor the direct sales analyses, also provided by the Complainant.
- iii) That in his equity comparable analysis, the Complainant highlighted various differences of comparability from the equity comparables to the subject, but failed to make adjustments for those differences.
- iv) That in his Direct Sales Approach to value, the Complainant highlighted various differences of comparability from the sales comparables to the subject, but failed to make adjustments for those differences.
- v) That the Respondent was successful in casting significant doubt on the legitimacy of the sales comparables (as outlined above) used by the Complainant in his Direct Sales approach to value.

**Board's Decision:**

The Board confirms the assessment at \$1,310,000.

DATED AT THE CITY OF CALGARY THIS 4 DAY OF August 2010.



**Michael A. Vercillo**

**Presiding Officer**

*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.*