



ASSESSMENT REVIEW BOARD

Churchill Building
10019 103 Avenue
Edmonton AB T5J 0G9
Phone: (780) 496-5026

NOTICE OF DECISION NO. 0098 111/11

Lisa Farnum, 263394 Alberta Ltd
5711 103A Street
Edmonton, AB T6H 2J6

The City of Edmonton
Assessment and Taxation Branch
600 Chancery Hall
3 Sir Winston Churchill Square
Edmonton AB T5J 2C3

This is a decision of the Composite Assessment Review Board (CARB) from a hearing held on July 20, 2011, respecting a complaint for:

Roll Number	Municipal Address	Legal Description	Assessed Value	Assessment Type	Assessment Notice for:
9944120	5705 103A Street NW	Plan: 4269HW Block: 87 Lot: 10 – 12/ Plan: 9622920 Block: 87 Lot: 16	\$5,962,500	Annual New	2011

Before:

Ted Sadlowski, Presiding Officer
Francis Ng, Board Member
George Zaharia, Board Member

Board Officer:

Annet Adetunji

Persons Appearing on behalf of Complainant:

Lisa Farnum, 263394 Alberta Ltd
Roberta MacGillivray, 263394 Alberta Ltd

Persons Appearing on behalf of Respondent:

Suzanne Magdiak, City of Edmonton, Assessor

PROCEDURAL MATTERS

Upon questioning by the Presiding Officer, the parties present indicated no objection to the composition of the Board. In addition, the Board members indicated no bias with respect to this file.

PRELIMINARY MATTERS

At the commencement of the merit hearing, the Respondent advised that the Complainant had been offered a reduction in the 2011 assessment from \$5,962,500 to \$5,628,000, but this offer was rejected.

BACKGROUND

The subject is an owner-occupied light industrial warehouse located in the Calgary Trail north neighbourhood. The size of the lot is 127,261 square feet (2.92 acres), and the four buildings that are situated on the lot occupy 52% of the site. The size and age of the buildings are as follows: building 1 – 47,718 square feet with an effective year built of 1971; building 2 – 19,680 square feet with an effective year built of 1974; building 3 – 1,920 square feet with an effective year built of 1956; and building 4 (a cold storage building) – 2,280 square feet with an effective year built of 2004.

ISSUE

Is the sale price of subject property a fair representation of its market value?

LEGISLATION

The *Municipal Government Act*, R.S.A. 2000, c. M-26;

S.467(1) An assessment review board may, with respect to any matter referred to in section 460(5), make a change to an assessment roll or tax roll or decide that no change is required.

S.467(3) 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,*
- b) the procedures set out in the regulations, and*
- c) the assessments of similar property or businesses in the same municipality.*

POSITION OF THE COMPLAINANT

1. The Complainant purchased the property referred to as the Gateway buildings in an arms-length transaction on June 30, 2010 for a price of \$7,100,000 (Exhibit C-1, page 1). The

Complainant had operated a business out of parts of the development over the past forty-two years. When approached by the previous owner to purchase the property, the Complainant determined that staying in the property was the proper thing to do.

2. The Complainant stated that at the time of the purchase, they were aware that the roof needed replacement at a cost between \$282,000 and \$633,000, and which was already factored into the final purchase price.
3. Not needing two of the buildings that were part of the original purchase, the Complainant sold them and a portion of the original site for \$2,000,000 as of June 30, 2010 (C3, page 1).
4. As a result of the two sales transactions, the purchase price of the subject property to this complaint was \$5,100,000, one day prior to valuation day.
5. The Complainant raised concerns about unsightly neighbours flanking the subject property and that the City had neglected this industrial area. There are no traffic lights near the subject, virtually no sidewalks, and difficulty accessing public transit (Exhibit C-4, page 3).
6. The Complainant requested the Board to reduce the 2011 assessment to the June 30, 2010 purchase price of the subject property which was \$5,100,000.

POSITION OF THE RESPONDENT

1. For the purposes of 2011 assessments, the sales comparison approach to value was utilized since there was ample data from which to derive reliable value estimates, with only a portion of the inventory traded based on the properties ability to generate income (Exhibit R-1, page 6).
2. In developing the model, sales occurring from January 2007 to June, 2010 were used. "Through the review of sales the collective actions of buyers and sellers in the market place are analyzed to determine the contributory value of specific property characteristics that drive the market". Factors found to affect value included: location, lot size, age and condition of the buildings, and total useable space (Exhibit R-1, page 7).
3. The Respondent submitted a brief that included amongst several things, interior and exterior photos of the subject property, a detailed report, six sales comparables that included the sale of the subject, and nine equity comparables.
4. All of the sales comparables were in reasonably close proximity to the subject, in average condition, and were similar in age, total building size and site coverage. The sales occurred between February 27, 2007 and June 30, 2010, and their time-adjusted sale prices per square foot ranging from \$70.01 (subject property) to \$124.68 (Exhibit R-1, page 45).

5. Two of the equity comparables were in close proximity to the subject, while the remaining seven comparables were located in west Edmonton, all were in average condition, and similar in age and total main floor area. The site coverage of the subject at 52% falls within the range of the equity comparables at 37% to 56%. The assessments per square foot ranged from \$68.90 to \$85.22 while the subject is assessed at \$79.99 per square foot (based on the recommended reduced \$5,628,000 assessment) (Exhibit R-1, page 52).
6. The Respondent acknowledged that the need to replace the roof was factored into the reduced assessment, along with small changes to space usage (e.g. removal of some office space).
7. Based on the evidence, the Respondent requested the Board to accept the recommended reduced 2011 assessment of the subject property at \$5,628,000.

DECISION

The decision of the Board is to reduce the 2011 assessment of the subject property to \$5,100,000.

REASONS FOR THE DECISION

- 1) The Board placed greatest weight on the sale of the subject, completed one day prior to the July 1, 2010 valuation date. The Board notes that the sale of the subject was an arms-length transaction and therefore it is the best indicator of market value.
- 2) The Board placed less weight on the Respondent's sales for several reasons:
 - a) Comparable sale #1 with the highest time-adjusted sale price of \$124.68 per square foot was a property that was slightly more than half the building size of the subject and with much lower site coverage at 36% compared to the subject's 52%.
 - b) The sales comparables were dated, with four sales occurring in 2007 and one in 2009 while the subject sold at one day prior to the valuation date.
 - c) The site coverage of the subject at 52% was higher than all the sales comparables that had site coverage ranging from 36% to 44%, suggesting that the subject property assessment per square foot should be lower than all Respondent's sales comparables if all other attributes were equal.
- 3) The Board also placed less weight on the Respondent's equity comparables. Seven of the nine equity comparables were not in close proximity to the subject, being located in northwest Edmonton, while the subject is in southeast Edmonton. Eight of the nine equity comparables with site coverages between 37% and 44% were lower than the subject's 52%, while only the ninth equity comparable (4104 99 St NW) at 56% had a similar site coverage to the subject. This equity comparable that had similar site coverage, but 16% smaller in building size, was assessed at \$74.65 per square foot compared to \$79.99 for the subject. Based on this finding, the Board is determined that a reduction in the assessment of the subject property is warranted.

- 4) The Board is persuaded that due to the very similar site coverage and size of the Respondent's equity comparable #8 (Exhibit R-1, page 52), a reduction in the assessment of the subject is warranted.
- 5) Based on the evidence and arguments, the Board is persuaded that a reduced 2011 assessment of the subject property at \$5,100,000 (purchase price one day prior to the valuation date) is fair and equitable.

DISSENTING OPINION AND REASONS

There was no dissenting opinion.

Dated this 18th day of August 2011, at the City of Edmonton, in the Province of Alberta.

Ted Sadlowski, Presiding Officer

This decision may be appealed to the Court of Queen's Bench on a question of law or jurisdiction, pursuant to Section 470(1) of the Municipal Government Act, R.S.A. 2000, c.M-26.

cc: Roberta MacGillivray, 263394 ALBERTA LTD