

NOTICE OF DECISION NO. 0098 158/12

Altus Group
780-10180 101 St NW
Edmonton, AB T5J 3S4

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 August 15, 2012, respecting a complaint for:

Roll Number	Municipal Address	Legal Description	Assessed Value	Assessment Type	Assessment Notice for:
9558008	4915 101 Avenue NW	Plan: 5559HW Lot: A	\$6,108,500	Annual New	2012

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, RSA 2000, c M-26.

cc: CAROUSEL HOLDINGS INC

Edmonton Composite Assessment Review Board

Citation: Altus Group v The City of Edmonton, 2012 ECARB 1134

Assessment Roll Number: 9558008

Municipal Address: 4915 101 Avenue NW

Assessment Year: 2012

Assessment Type: Annual New

Between:

Altus Group

Complainant

and

The City of Edmonton, Assessment and Taxation Branch

Respondent

DECISION OF
Lynn Patrick, Presiding Officer
Pam Gill, Board Member
Jack Jones, Board Member

Procedural Matters

[1] Upon questioning by the Presiding Officer, the parties indicated that they had no objection to the composition of the Board. In addition, the Board members indicated that they had no bias in this matter.

Preliminary Matters

[2] Late in the hearing, the Complainant presented rebuttal evidence that had not been filed with the Board or with the Respondent. On the basis that it was not disclosed pursuant to s 9(2) of the *Matters Related to Assessment Complaints Regulation*, the Board struck this evidence from the record and did not take it into consideration in their final decision.

Background

[3] The subject property is located in the Eastgate Business Park and is assessed as a retail / warehouse facility. It is comprised of a retail warehouse building and two storage buildings with effective ages ranging from 1969 to 1974. The 2012 assessment of the subject property utilized the income approach to valuation.

Issue(s)

[4] Is the 2012 assessment of the subject property at \$6,108,500 fair and equitable?

Legislation

[5] The *Municipal Government Act* reads:

Municipal Government Act, RSA 2000, c M-26

s 1(1)(n) “market value” means the amount that a property, as defined in section 284(1)(r), might be expected to realize if it is sold on the open market by a willing seller to a willing buyer;

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

[6] The Complainant presented evidence (C-1) and argument for the Board’s review and consideration. The evidence submitted included photos of the subject property, a market proforma, excess land comparables, sales comparables, equity comparables, lease comparables, and legal submissions.

[7] The Complainant presented a proposed market proforma (C-1, page 8) which included a lease rate of \$8.00 per sq ft, a capitalization rate of 7.5% and an excess land valuation of \$1,258,415. The net valuation proposed by the Complainant utilizing the income approach to valuation was \$4,738,500, compared to the 2012 assessed value of \$6,108,500. The assessed value was based upon assessed values of \$12.75, \$14.00 and \$12.50 per square foot for the various building lease rates as well as an 8% cap rate and an excess land valuation of \$1,038,240.

[8] In support of the data included in the market proforma, the Complainant presented lease data (C-1, pages 15 to 18), market lease data (C-1, pages 20, 23 and 25), market capitalization data (C-1, pages 30, 34 and 37) and vacant land sales (C-1, pages 41 to 46).

[9] The Complainant noted that the actual lease rates being achieved by the subject property were \$5.00 per sq ft as evidenced by the rent roll submitted in the Respondent’s evidence (R-1, page 16).

[10] The Complainant submitted six sales comparables (C-1, page 9) with time-adjusted sale prices ranging from \$65.29 to \$144.14 per sq ft with an average of \$111.65 per sq ft. These were compared to the subject property's assessment of \$168.96 per square foot. The Complainant's position is that the age, size, location, and site coverage of the subject property indicate that the best value for the subject property is \$135.00 per sq ft for a total valuation of \$4,880,500 based on direct sales comparables.

[11] The Complainant also submitted six equity comparables (C-1, page 10) with assessments ranging from \$96.19 to \$159.67 per sq ft, with an average assessed value of \$126.40 per sq ft. Based on these comparables, the Complainant's position is that \$125.00 per sq ft is a more equitable assessment value for the subject property for a total valuation of \$4,519,000 compared to the 2012 assessed value of \$6,108,500.

[12] The Complainant questioned the Respondent's lease rates used in valuing the subject property. In particular, buildings #2 and #3, which are metal storage buildings, were assessed using market lease rates of \$14.00 and \$12.50 per sq ft, while the main building (retail / warehouse) was assessed with a market lease rate of \$12.75 per sq ft.

[13] The Complainant also noted that in the Respondent's land sales comparables the properties were significantly smaller than the subject property and there was no supporting data for sales #2 or #4 (R-1, page 18).

[14] The Complainant noted that the lease rate comparables (R-1, page 21 and 31) presented by the Respondent in support of the assessment were significantly smaller than the subject property as well as generally located in superior market areas.

[15] In summary, the Complainant requested that the 2012 assessment of the subject property be reduced from \$6,108,500 to \$4,519,000 based on the equity comparables.

Position of the Respondent

[16] The Respondent presented evidence (R-1 and R-2) and argument for the Board's review and consideration. The evidence submitted included photos and maps of the subject, an SPSS detail report, a tenant roll, excess land calculations, land sales comparables, equity rent comparables, warehouse market rent comparables, mass appraisal details as well as law and legislation information.

[17] The Respondent presented the assessment income proforma (R-1, pages 11 and 12) for the subject property which outlined the lease, capitalization and vacancy rates utilized in valuing the subject property as well as the excess land.

[18] The Respondent outlined the methodology for calculating an excess land value for the subject property (R-1, page 17). The site coverage of the subject property is 19%, whereas typical site coverage for this type of property is 25%, leaving an excess land area of 45,367 sq ft valued at \$1,037,240. In support of the excess land valuation, the Respondent provided four land sales comparables (R-1, page 18) which averaged \$21.70 per sq ft compared to the assessed unit value of \$22.86 per sq ft.

[19] In support of the 2012 assessment, the Respondent presented eight equity retail warehouse rental rates (R-1, page 21) that averaged \$12.81 per sq ft. These were compared to the subject property building rental rates of \$12.75, \$12.50 and \$14.00 per sq ft.

[20] The Respondent also presented three warehouse market rent comparables (R-1, page 31) that averaged \$12.67 per sq ft. These were compared to the subject property building rental rates of \$12.75, \$12.50 and \$14.00 per sq ft.

[21] The Respondent questioned the validity of the Complainant's sales comparable #6 (C-1, page 9) suggesting it was an outlier and that by removing it from the data the average of the sales comparables would be closer to the 2012 assessed value.

[22] The Respondent also questioned the Complainant's equity comparable #1 (C-1, page 10) suggesting that this property had been assessed at cost and was not comparable to the subject property and that by removing it from the data the average of the equity comparables would be closer to the 2012 assessed value.

[23] In conclusion, the Respondent requested that the Board confirm the 2012 assessment of the subject property at \$6,108,500.

Decision

[24] The decision of the Board is to reduce the 2012 assessment of the subject property from \$6,108,500 to \$5,056,500.

Reasons for the Decision

[25] The Board considered the evidence and argument presented by both parties and determined that the 2012 assessment of the subject property at \$6,108,500 is not appropriate.

[26] The Board has concerns with the methodology applied in utilizing the income approach to valuation for the subject property, particularly in view of the variety of building types on the subject site. Metal storage buildings had lease rates applied (\$14.00 and \$12.50 per sq ft) that approached or exceeded the lease rate applied to the main retail / warehouse building (\$12.75 per sq ft).

[27] The Board was not convinced that the lease rates presented by either party were appropriate for the subject property and therefore looked to other methods of valuation.

[28] The Board considered the sales comparables presented by the Complainant (C-1, page 9) but was not convinced that these were in fact comparable to the subject property on the basis of location, size, age and site coverage. The Board therefore placed little weight on these comparables due to the fact that they fall far short of the Complainant's requested value.

[29] The Board considered the equity comparables presented by the Complainant (C-1, page 10) and found that properties #3 and #4 were comparable to the subject property with respect to location, age, site area, site coverage and building area. The average assessed value of these two

comparables was \$139.86 per sq ft, which, when applied to the subject building's area of 36,154 sq ft, derives a value of \$5,056,500.

[30] The Board finds that a revised 2012 assessed value of \$5,056,500 for the subject property is fair and equitable.

Dissenting Opinion

[31] There was no dissenting opinion.

Heard commencing August 15, 2012.

Dated this 28th day of August, 2012, at the City of Edmonton, Alberta.

Lynn Patrick, Presiding Officer

Appearances:

John Trelford, Altus Group

Walid Melhem, Altus Group
for the Complainant

Tim Dueck, Assessor, City of Edmonton
for the Respondent