

NOTICE OF DECISION NO. 0098 32/12

Altus Group
780-10180 101 Street 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 June 11, 2012, respecting a complaint for:

Roll Number	Municipal Address	Legal Description	Assessed Value	Assessment Type	Assessment Notice for:
1074640	831 77 AVENUE NW	Plan: 8022534 Block: 1 Lot: 19	\$1,060,500	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: B W KROPP HOLDINGS LTD

Edmonton Composite Assessment Review Board

Citation: Altus Group v The City of Edmonton, 2012 ECARB 608

Assessment Roll Number: 1074640

Municipal Address: 831 77 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
Steven Kashuba, Presiding Officer
Lillian Lundgren, Board Member
Ron Funnell, Board Member

Preliminary Matters

[1] When asked by the Presiding Officer, the parties indicated no objection to the composition of the Board. In addition, the Board members indicated they had no bias in the matter before them.

Background

[2] The subject property is a 5,988 square foot warehouse located at 831 77 Avenue NW in the Southeast (Annexed) Industrial neighborhood. It is in average condition and has an effective year built of 1982. The lot size is 38,967 square feet with site coverage of 15%.

Issue

[3] Is the subject property assessment reflective of market value?

Legislation

[4] The *Municipal Government Act* reads:

Municipal Government Act, RSA 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

[5] The Complainant filed this complaint on the basis that the subject property assessment of \$1,060,500 is incorrect. The Complainant argued that the income approach and direct sales approach support a reduction in the assessment.

[6] First, the Complainant challenged the assessment using the income approach to value. The factors used to calculate the value were taken from reports published by Avison Young, CB Richard Ellis and Colliers International. The Complainant applied a \$9.00 per square foot lease rate, a 3% vacancy allowance, a 2% structural allowance, a 7.25% capitalization rate and added an excess land adjustment of \$210,000. This income proforma produced a value of \$916,500 which is lower than the current assessment of \$1,060,500.

[7] The excess land value of \$435,600 per acre used by the Complainant is based on four sales of industrial land in southeast Edmonton. The land sale comparables sold between June 18, 2010 and September 9, 2011 for an average sale price of approximately \$435,000.

[8] The Complainant prepared another income proforma by applying a \$12.00 per square foot lease rate, a 3% vacancy allowance, a 2% structural allowance and a 7.25% capitalization rate which produced a value of \$942,000. The Complainant explained that the use of a higher rental rate offsets the low site coverage of the subject. The \$12.00 lease rate is based on the lease comparables of four bays in a building located at 4350 82 Avenue NW.

[9] In further support, the Complainant used the direct sales approach. The Complainant presented four sales comparables that are similar to the subject in location, age and building size. The comparables have an average time adjusted sale price of \$157 per square foot and a median time-adjusted sales price of \$152 per square foot. The subject property is assessed \$177 per square foot. Based on these comparables, the Complainant determined that the indicated value for the subject property is \$928,000 or \$155 per square foot.

[10] In summary, the Complainant requested the Board to reduce the subject assessment to \$916,500.

Position Of The Respondent

[11] The Respondent submitted that the subject property assessment of \$1,060,500 represents market value. The Respondent explained that the direct sales approach is used to value this type of property because the majority of the properties are single tenant owner occupied, so no rental information is available. The subject property is a single tenant owner occupied property.

[12] The Respondent was critical of the Complainant's estimates of value using the income approach because the lease rates of \$9.00 per square foot and \$12.00 per square foot and the capitalization rate of 7.25% are not supported by lease rate and capitalization rate studies. The Respondent raised the concern that the authors of the third party reports could not be questioned because they were not present.

[13] The Respondent defended the subject assessment with six sales comparables from the southeast quadrant of the city. The comparables range in sale price from \$174 per square foot to \$206 per square foot compared with the subject assessment of \$177 per square foot. The Respondent stated that the comparables located at 1554 70 Avenue NW and 840 78 Avenue NW are in the same area as the subject property and they sold for \$174 per square foot and \$185 per square foot respectively. The Respondent noted that both parties used the comparable at 1554 70 Avenue.

[14] Although equity is not an issue raised by the Complainant, the Respondent presented eight equity comparables located in the southeast quadrant that have an average assessment of \$180 per square foot.

[15] In summary, the Respondent requested the Board to confirm the assessment at \$1,060,500.

Decision

[16] The property assessment is confirmed at \$1,060,500.

Reasons For The Decision

[17] In determining whether the subject property is correctly assessed, the Board reviewed the market evidence of both parties. Two of the Complainant's sales comparables located at 3946 76 Avenue NW and 1554 70 Avenue NW are good indicators of value because they are similar to the subject in age, site area, site coverage and building size. They sold for \$147 per square foot and \$180 per square foot, respectively, which supports the subject assessment of \$177 per square foot.

[18] The Board also reviewed the Respondent's sales evidence and finds as follows. The best indicators of value are the sales comparables located at 1554 70 Avenue NW (also used by the Complainant) and 840 78 Avenue NW. These comparables are similar to the subject in location, age, site area, building size and site coverage. The properties sold for \$174 per square foot and \$185 per square foot, respectively, which also support the subject assessment.

[19] With respect to the Complainant's income approach market proformas, the Board finds that the proformas may not capture the full market value of the subject property because of the lower than typical site coverage of the subject property. The Board agrees with the principle that properties with a larger amount of land in relation to the building footprint will have a higher value per square foot because each square foot has to account for the additional value attributable to the larger land area.

[20] The Board appreciates that the Complainant attempted to adjust for the low site coverage by adding the excess land adjustment in the first proforma and using the higher lease rate in the second proforma. However, the weakness in the proformas is the lack of supporting evidence for the lease rates and capitalization rate.

[21] In the first proforma, the Complainant selected a \$9.00 per square foot lease rate. The \$9.00 per square foot lease rate is an average lease rate for similar size building areas in southeast Edmonton as reported by Avison Young. However, it is not known if any of the properties used in the study have similar site coverage to the subject property which has 15% site coverage. In the second proforma, the Complainant used a \$12.00 per square foot lease rate. This lease rate is based on the lease rates of four bays in the same building at 4350 82 Avenue NW. Thus, the Board finds insufficient evidence to support the use of a \$12.00 per square foot lease rate in the proforma.

[22] The Complainant used a 7.25% capitalization rate in each of the income proformas. This cap rate is an average cap rate for single tenant industrial buildings reported by Colliers in the second quarter 2011 cap rate report. The Board is not satisfied that a 7.25% cap rate is appropriate for the subject property given its location and low site coverage. The Board finds that it is more appropriate to use a cap rate derived from the sales of similar properties with similar low site coverage.

[23] In conclusion, the Board confirms the subject assessment of \$1,060,500.

Heard commencing June 11, 2012.

Dated this 3rd day of July, 2012, at the City of Edmonton, Alberta.

Steven Kashuba, Presiding Officer

Appearances:

Walid Melhem, Altus Group
for the Complainant

Marty Carpentier, City of Edmonton
Stephen Leroux, City of Edmonton
for the Respondent