



## ASSESSMENT REVIEW BOARD

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

### NOTICE OF DECISION NO. 0098 346/11

APTAS  
#397 52471 RR 223  
Sherwood Park, AB T8A 4P9

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 November 9<sup>th</sup>, 2011, respecting a complaint for:

Roll Number	Municipal Address	Legal Description	Assessed Value	Assessment Type	Assessment Notice for:
10057721	12232 - 156 Street NW	Plan: 0621031 Block: 2 Lot: 8B	\$8,091,000	Annual New	2011

#### Before:

Robert Mowbrey, Presiding Officer  
Judy Shewchuk, Board Member  
Ron Funnell, Board Member

**Board Officer:** Segun Kaffo

#### **Persons Appearing on behalf of Complainant:**

Michele Warwa-Handel

#### **Persons Appearing on behalf of Respondent:**

Bonnie Lantz, Assessor, City of Edmonton  
Mary-Alice Nagy, Assessor, City of Edmonton

## **PRELIMINARY MATTERS**

Upon questioning by the Presiding Officer, the parties indicated no objection to the composition of the Board. In addition, the Board advised the parties that the Board had no bias on this file.

## **BACKGROUND**

The subject property is a multi tenant warehouse located in the North West quadrant of the City. The subject property has an effective date built of 1981 and has a total building area of 61,662 square feet with site coverage of 9%. The 2011 assessment for the subject property is \$8,091,000.

## **ISSUE(S)**

What is the market value of the subject property?

## **LEGISLATION**

*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**

The Complainant provided the Board with an assessment brief (Exhibit C-1, 32 pages). In addition, the Complainant provided the Board a package that included sales, supporting documents, and third party information (Exhibit C-2, 101 pages).

The Complainant advised the Board the Complainant was utilizing the direct sales approach for valuation of the subject property. In addition, the Complainant used eight equity comparables to determine fairness and equity in relation to the subject property (Exhibit C-1, pages 14 – 16 and 28 - 32).

The Complainant referred to C – 1, page 13 maintaining that the direct sales value of \$100.98 be considered to arrive at the correct price per square foot. In addition the Complainant spoke to the fairness and equity aspect as an element that required to be considered in arriving at the correct price per square foot.

The Complainant then chose to average the two prices per square foot figures (\$100.98 & \$91.08) to arrive at the resulting figure of \$96.08 per square foot and a revised 2011 assessment of \$5,921,429.

The Complainant advised the Board the Complainant utilized a constant 3% time adjustment factor to the selling price, from the date of sale to the valuation assessment date.

The Complainant provided the Board with sales sheets of warehouse properties similar to the subject property in the northwest quadrant of Edmonton:

- Multi-Bay warehouses (Exhibit C-2, page 22) showed a time adjusted average sale price of \$92.36 per square foot;
- Warehouses (Exhibit C-2, page 1) showed a time adjusted average sale price of \$90.47 per square foot;
- Single tenant warehouses (Exhibit C-2, page 36) showed a time adjusted average sale price of \$77.58 per square foot.

The Complainant provided maps to the Board illustrating the location of the subject in relation to the eight equity comparables chosen by the Complainant. The maps also showed the assessments per square foot of these equity comparables. The illustrations were meant to show the subject assessment to be considerably in excess of each of the eight neighbouring properties (Exhibit C-1, pages 9 -32).

Included in Exhibit C-1, page 7 was a copy of a 2008 withdrawal to correction agreement involving the subject meant to illustrate that the Respondent had previously reduced the assessment. The Complainant challenged the Respondent's sales comparables noting that the attributes, such as effective year built, site coverage, and size, had a wide divergence.

The Complainant presented third party documentation (Exhibit C-2, pages 45 – 67) to the Board detailing the Edmonton real estate investment market. This information came from The Network, Cushman & Wakefield, and Colliers International.

The Complainant provided the Board with a rebuttal package (Exhibit C-3, 6 pages) addressing the assessments of the Respondent's five sales comparables. The Complainant submitted that the evidence showed assessments ranging from \$112.52 to \$134.26 per square foot while the subject is assessed at \$131.21 per square foot.

In addition to the challenge of the subject 2011 assessment the Complainant criticized information made available from the City's web site sourced by password by the Complainant. The information on the City's web site was subject to change depending on the June 30 valuation date each year.

## **POSITION OF THE RESPONDENT**

The Respondent presented to the Board an assessment brief (Exhibit R-1, 82 pages). In addition the Respondent gave the Board a law & legislation brief (Exhibit R-2, 42 pages).

The Respondent explained that the methodology consistently used by them in the Mass Appraisal Process is the Sales Comparison Model:

*“Sales occurring from January 2007 through June 2010 were used in model development and testing. 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 market value. Once these values have been determined through the mass appraisal process, they are applied to the inventory to derive the most probable*

*selling price. Value estimates were calculated using multiple regression analysis, which replicates the forces of supply and demand in the market place.”*

and

*“Factors found to affect value in the warehouse inventory were: the location of the property, the size of the lot, the age and condition of the buildings, the total area of the main floor, developed second floor and mezzanine area.” (Exhibit R-1, page 7)*

The Respondent further explained the Unit of Comparison and Site coverage:

*“The most common unit of comparison for industrial properties is value per square foot of building area. When comparing properties on this basis, it is imperative that the site coverage be a key factor in the comparison.*

*Site coverage expresses the relationship between the main floor area of the building and the amount of land associated with it. Properties with a large amount of land in relation to the building footprint will see a higher value per square foot, as each square foot has to account for the additional value attributable to the larger land area.” (Exhibit R-1, page 8)*

The Respondent also stated that *“The City of Edmonton has met all governing legislation including regulations and quality standards.” (Exhibit R-1, page 8)*

The Respondent presented to the Board a chart with five sales comparables (Exhibit R-1, page 22) all in average condition and all situated in the northwest quadrant of the city.

- The sale dates ranged from January 2007 to March 2009.
- The effective years built ranged from 1969 to 1981.
- The site coverage ranged from 14% to 20%.
- The main floor building areas ranged from 17,799 to 34,650 square feet.
- The total building areas ranged from 18,137 to 34,650 square feet.
- The time adjusted sale prices for the main floor areas ranged from \$126.63 to \$223.97 per square foot.
- The time adjusted sale prices for the total areas ranged from \$111.76 to \$223.97 per square foot.

The Respondent stated that Exhibit R-1, pages 23 - 27 were The Network detail sheets verifying these sales. The Respondent submitted that these sales supported the assessment of the subject property at \$131.21 per square foot.

The Respondent presented to the Board a chart with five equity comparables (Exhibit R-1, page 28) all in average condition and all situated in the northwest quadrant of the city.

- The effective years built ranged from 1983 to 2005.
- The site coverages ranged from 8% to 19%.
- The main floor building areas ranged from 26,770 to 44,165 square feet.
- The total building areas ranged from 29,638 to 48,811 square feet.
- The main floor area assessments ranged from \$128.01 to \$223.96 per square foot.
- The total area assessments ranged from \$128.01 to \$202.29 per square foot.

The Respondent submitted that these equity comparables supported the assessment of the subject at \$131.21 per square foot.

The Respondent (Exhibit R-1, page 34) addressed the Complainant's sales comparables in Exhibit C-2, pages 1, 22, and 36 and challenged most for a variety of reasons. The sales on Exhibit C-2, page 1 (warehouses) involved older buildings, had a broad range of site coverages, and #14 - #19 were post facto. The sales on Exhibit C-2, page 22 (multi-tenant warehouses) also involved older buildings, had a broad range of site coverages, and #9 - #11 were post facto. The sales on Exhibit C-2, page 36 (single tenant warehouses) all (except for #5) involved older buildings and had a broad range of site coverages. Other sales required renovations or repairs, involved motivated parties, or were non arms length sales. The Respondent concluded that the Complainant's sales comparables were unreliable and the use of averages equally unreliable.

The Respondent drew the Board's attention to the fact that the Complainant used gross building sizes in their calculations while the Respondent uses assessable area and that the two figures are often different. The assessments which the Complainant calculated, therefore, are different from the assessments calculated by the Respondent.

The Respondent stated that the Complainant's evidence at C-2, pages 45 – 67 might be relevant to the income approach method of valuation but was irrelevant to the direct sales comparison approach which was used to assess the subject property.

The Respondent criticized the Complainant's use of a constant 3% per year time adjustment as inappropriate to arrive at the Complainant's time adjusted sales figures.

The Respondent also criticized the Complainant's not adjusting the Complainant's calculations for site coverages over 30%.

The Respondent advised the Board that Exhibit R-1, pages 73 - 82 were to be disregarded.

The Respondent challenged the Complainant's statement that the subject property had previously been assessed on a cost approach and directed the Board's attention to Exhibit C-1, page 12 where it was stated that the direct sales approach had been used.

In response to the Complainant's comment that access to the subject had been compromised as a result of the 2006 "land swap", the Respondent pointed out that the owner has received a larger, long and narrow piece of land which is usable by trucks on the property.

The Respondent stated that the Complainant had not provided evidence of the testing referred to in Exhibit C-1, page 13.

In summary the Respondent submitted that the Complainant had not clearly shown how the Complainant arrived at the \$5,921,429 which was requested. The Respondent stated that the Complainant's sales comparables ranged greatly in size, age, location, and site coverages and several were post facto.

The Respondent asked the Board to confirm the 2011 assessment at \$8,091,000 as the Complainant had failed to prove the current assessment was neither fair nor equitable.

## **DECISION**

The decision of the Board is to confirm the 2011 assessment of \$8,091,000 as being fair and equitable.

## **REASONS FOR THE DECISION**

Both parties agreed that the direct sales approach was the best methodology to value the subject property.

The Board was not persuaded by the Respondent's sales comparables (Exhibit R-1, page 22). The sales comparables were dissimilar in terms of site coverage, age and size. The time adjusted selling price per total square foot ranged from \$111.76 to \$223.97. In addition, all of the comparables were not on a major road, whereas the subject property is on a major road. The subject property's lot size was three to six times the lot size of the Respondent's comparables.

The Board was persuaded by the Respondent's evidence regarding the five equity comparables (Exhibit R-1, page 28). The equity comparables were somewhat similar to the subject property in terms of location, condition, site coverage, and total floor area.

The Board notes the Complainant utilized a constant 3% per year time adjustment factor on the comparable sales put forth by the Complainant. The Board agrees with the Respondent that the constant 3% time adjustment per year is flawed. Time adjustments are not constant and are volatile over the period of one year.

The Board placed little weight on the three sales comparables that the Complainant used. The Respondent gave evidence to the Board that the first two comparables were non-arms length. The Complainant explained that the parties involved had ensured that fair market values were utilized in the transactions. Nevertheless non-arms length sales are fraught with risk and the City does not utilize non-arms length sales in the mass appraisal process. The third comparable warehouse building had a canopy that utilized up to 50% of the property, thus skewing the total square footage and making comparability difficult (Exhibit R-1, page 44). The Board believed that comparable number three could not be relied upon as a comparable. The comparable was assessed utilizing both the sales and cost approach. In addition, the comparable was incorrectly coded, but would be corrected for the next assessment year.

The Board also placed little weight on the three batches of warehouse, single tenant, and multi bay warehouse sales presented by the Complainant as the ranges of size, site coverage, age, and locations were very varied. The Board noted that sales and equity data should be drawn from properties that are most similar to the subject in terms of age, location, size, condition, and site coverage. When significant differences exist for a comparable its indication should be afforded less weight. Therefore, the Board placed little weight on the Complainant's sales, detailing multi-tenancy as there was little evidence or documentation to support that information.

While the Board notes the Respondent did not give compelling sales comparables as evidence, it still does not negate the fact that the Complainant must provide sufficient and compelling evidence to prove the incorrectness of the assessment. The Complainant failed to do so. The Board concluded that the Complainant is using inconsistent methodology to value the subject property.

Although the Respondent advised the Board the City cannot utilize post-facto sales in their mass appraisal process, the Board notes that post-facto sales within the assessment year have been utilized for trending purposes.

### **DISSENTING OPINION AND REASONS**

There was no dissenting opinion.

Dated this 28<sup>th</sup> day of November, 2011, at the City of Edmonton, in the Province of Alberta.

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Robert Mowbrey, Presiding Officer

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*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.*

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cc: TRUCK-ALL DEPOT LIMITED