



## ASSESSMENT REVIEW BOARD

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

### NOTICE OF DECISION NO. 0098 347/11

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:
8482440	9403 - 45 Avenue NW	Plan: 8022997 Block: 5 Lot: 27	\$2,631,000	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, City of Edmonton  
Mary-Alice Nagy, 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 South East quadrant of the City. The subject property has an effective built date of 1982 and has a total building area of 26,751 square feet with site coverage of 40%. The 2011 assessment for the subject property is \$2,631,000.

## **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, 28 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 23-25).

The Complainant referred to C – 1, page 2 maintaining that the direct sales value of \$83.14 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 and asked that the value of \$92.57 per square foot be considered in arriving at the correct value for the subject.

The Complainant then chose to average the two prices per square foot figures (\$83.14 & \$92.57) to arrive at the resulting figure of \$87.85 per square foot and a revised 2011 assessment of \$2,350,209.

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 three 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 three neighbouring properties (Exhibit C-1, pages 23-25).

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, 10 pages) addressing the assessments of the Respondent's ten sales comparables

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, 79 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 ten sales comparables (Exhibit R-1, page 18) all in average condition and all situated in the southeast quadrant of the city.

- The sale dates ranged from February 2007 to June 2010.
- The effective years built ranged from 1970 to 1986.
- The site coverage ranged from 34% to 55%.
- The main floor building areas ranged from 16,934 to 27,869 square feet.
- The total building areas ranged from 17,802 to 31,701 square feet.
- The time adjusted sale prices for the main floor areas ranged from \$100.36 to \$178.53 per square foot.
- The time adjusted sale prices for the total areas ranged from \$91.52 to \$159.59 per square foot.

The Respondent pointed out that the Respondent's sales comparable #9 was also used by the Complainant. This comparable was assessed \$91.52 per square foot which supported the assessment of the subject. The Respondent stated that Exhibit R-1, pages 19 – 28 were The Network detail sheets verifying these sales. The Respondent submitted that all the sales comparables supported the assessment of the subject property at \$98.35 per square foot.

The Respondent presented to the Board a chart with six equity comparables (Exhibit R-1, page 29) all in average condition and all situated in the southeast quadrant of the city.

- The effective years built ranged from 1975 to 1987.
- The site coverages ranged from 35% to 59%.
- The main floor building areas ranged from 19,197 to 31,154 square feet.
- The total building areas ranged from 23,797 to 31,712 square feet.
- The main floor area assessments ranged from \$97.35 to \$135.80 per square foot.

- The total area assessments ranged from \$94.82 to \$109.55 per square foot.

The Respondent pointed out that the Respondent's equity (Exhibit R-29), comparables #1, #2, #3, and #4 were also used by the Complainant. These four assessments ranged from \$94.82 to \$109.55 per square foot and supported the assessment of the subject at \$98.35 per square foot. The Respondent submitted that all the equity comparables supported the assessment of the subject.

The Respondent drew the Board's attention to the table at Exhibit R-1, page 30 in which the Respondent critiqued the Complainant's comparables.

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 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 31 - 79 were to be disregarded.

In summary the Respondent submitted that the Complainant had not clearly shown how they arrived at the \$2,350,209 which they 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 \$2,631,000 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 \$2,631,000 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 persuaded by the Respondent's sales comparables (Exhibit R-1, page 18). The sales comparables were similar in terms of site coverage, age, condition and size. The time adjusted selling price per total square foot ranged from \$91.52 to \$159.59, which generally supports the subject property's assessment per square foot. The Board notes that the Respondent's comparable #9 was also utilized by the Complainant. Comparable #9 was similar to the subject property in terms of age, condition, site coverage, upper floor finish and total building area.

The Board was persuaded by the Respondent's evidence regarding the six equity comparables (Exhibit R-1, page 29). The equity comparables were somewhat similar to the subject property in terms of location, condition, site coverage, and total floor area. The Board notes that the first four equity comparables by the Respondent are also utilized by the Complainant. The assessment per square foot ranged from \$94.82 to \$109.55, which supports the assessment of \$98.35.

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 also placed little weight on the comparables put forth by the Complainant. The Complainant's comparables detailing 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.

The Board was persuaded by the Respondent's critique of the Complainant's comparables. (Exhibit R-1 page 30).

The Board notes 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: DEANCO INVESTMENTS INC