



ASSESSMENT REVIEW BOARD

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NOTICE OF DECISION NO. 0098 348/11

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 9th, 2011, respecting a complaint for:

Roll Number	Municipal Address	Legal Description	Assessed Value	Assessment Type	Assessment Notice for:
10006578	7003 - 67 Street NW	Plan: 0321747 Block: 4 Lot: 4	\$10,146,500	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 South East quadrant of the City. The subject property has an effective built date of 2008 and has a total building area of 92,765 square feet with site coverage of 38%. The 2011 assessment for the subject property is \$10,146,500.

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, 25 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 5 – 22).

The Complainant requested the Board to reduce the assessment in line with the average potential value of the direct sales and equitable to the properties similar in proximity to the subject property. The Complainant advised the Board that the Complainant had tested and fulfilled all the requirements by the regulations and the current assessment is unfair, inequitable, and not at market value. Therefore, the Complainant requested an assessment reduction from \$10,146,500 to \$8,115,922 based on comparable sales and equity.

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 maps to the Board illustrating the location of 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.

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 provided the Board with a rebuttal package (Exhibit C-2, 7 pages) addressing the assessments of the Respondent's six sales comparables. The Complainant submitted that the evidence showed assessments that do not support the assessment of the subject property at \$109.37 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, 76 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 six sales comparables (Exhibit R-1, page 20) all in average condition.

- The sale dates ranged from March 2007 to November 2009.
- The effective years built ranged from 1998 to 2007.
- The site coverage ranged from 33% to 39%.
- The main floor and total building areas ranged from 30,078 to 118,800 square feet.
- The time adjusted sale prices for the main floor areas ranged from \$93.83 to \$169.29 per square foot.
- The time adjusted sale prices for the total areas ranged from \$93.21 to \$159.01 per square foot.

The Respondent pointed out that the Respondent’s sales comparable #5 was also used by the Complainant. The Respondent stated that Exhibit R-1, pages 21 - 26 were The Network detail sheets verifying these sales. The Respondent submitted that all the sales comparables supported the assessment of the subject property at \$109.37 per square foot.

The Respondent pointed out those sales comparables #5 and #6 are next door to each other. One sold at \$93.21 and was assessed at \$103.35 (according to the Complainant’s calculations) while the other one sold at \$125.32 and was assessed at \$94.87 (according to the Complainant’s calculations). The Respondent submitted that this demonstrates how assessments can range and, at the same time, pointed out that the subject is assessed within the assessment range.

The Respondent presented to the Board a chart with six equity comparables (Exhibit R-1, page 27) all in average condition and all situated in the southeast quadrant of the city.

- The effective years built ranged from 2003 to 2008.
- The site coverages ranged from 34% to 46%.
- The main floor building areas ranged from 57,552 to 102,000 square feet.
- The total building areas ranged from 66,552 to 102,000 square feet.
- The main floor area assessments ranged from \$104.83 to \$131.84 per square foot.
- The total area assessments ranged from \$104.83 to \$110.00 per square foot.

The Respondent pointed out that the Respondent’s sales comparables #1 and #2 were also used by the Complainant. The Respondent submitted that all the equity comparables supported the assessment of the subject at \$109.37 per square foot.

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 28 - 76 were to be disregarded.

In summary the Respondent submitted that the Complainant had not clearly shown how they arrived at the \$8,115,922 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 \$10,146,500 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 \$10,146,500 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, and condition. 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 #5 was also utilized by the Complainant.

The Board was persuaded by the Respondent's evidence regarding the six equity comparables (Exhibit R-1, page 27). 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 two equity comparables by the Respondent were also utilized by the Complainant. The assessment per square foot ranged from \$104.83 to \$110.00, which supports the assessment of \$109.38. The Board notes that comparable #2 appears most comparable to the subject property in terms of site coverage, size, condition, and finished upper area. The subject property, being 5 years newer and having a larger upper finished area would account for most of the difference in the assessment per square foot.

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 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 28th day of November, 2011, at the City of Edmonton, in the Province of Alberta.

Robert Mowbrey, 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, RSA 2000, c M-26.

cc: PLATINUM HOLDINGS LTD