



ASSESSMENT REVIEW BOARD

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NOTICE OF DECISION NO. 0098 351/11

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: |
|-------------|---------------------|---------------------------------|----------------|-----------------|------------------------|
| 8871857 | 4804 - 89 Street NW | Plan: 5057TR Block: 7 Lot: 2 | \$8,752,500 | 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, City of Edmonton
Mary-Alice Nagy, City of Edmonton

PRELIMINARY AND PROCEDURAL 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. The Respondent advised the parties present that the Respondent had made a recommendation to the Complainant. The Complainant was unable to accept the recommendation of the Respondent as the owner of the subject property was out of the country. The Respondent advised the parties that the Respondent would be defending the recommended assessment of \$8,436,000 instead of the 2011 assessment of \$8,752,500.

BACKGROUND

The subject property is a multi tenant warehouse located in the South East quadrant of the City. The subject property has effective built dates of 1990 and 1978. The subject property has a total building area of 75,043 square feet with site coverage of 31%. The 2011 assessment for the subject property is \$8,752,500 but the recommended adjusted assessment is \$8,436,000.

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, 42 pages).

The Complainant advised the Board the Complainant was utilizing the direct sales approach for valuation of the subject property and that a value of \$95.08 per square foot was calculated. In addition, the Complainant used five equity comparables to determine fairness and equity in relation to the subject property (Exhibit C-1, pages 11 - 14) and calculated a value of \$98.64 per square foot. The average of these two figures as \$96.86 per square foot, which the Complainant requested.

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 \$8,752,500 to \$7,268,664 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 subject in relation to the five 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 five neighbouring properties (Exhibit C-1, pages 9 - 14).

The Complainant provided a copy of the Respondent's sales comparables (Exhibit C-1, page 15) which showed that the subject property is incorrectly assessed. 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 four sales comparables. The Complainant submitted that the evidence showed assessments ranging from \$90.27 to \$115.21 per square foot while the subject is assessed at \$115.29 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, 78 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 four sales comparables (Exhibit R-1, page 22) all in average condition and all situated in the southeast quadrant of the city.

- The sale dates ranged from February 2007 to June 2007.
- The effective years built ranged from 1973 to 1998.
- The site coverage ranged from 36% to 42%.
- The main floor building areas ranged from 40,400 to 74,973 square feet.
- The total building areas ranged from 40,400 to 76,233 square feet.
- The time adjusted sale prices for the main floor areas ranged from \$109.39 to \$146.69 per square foot.
- The time adjusted sale prices for the total areas ranged from \$109.39 to \$124.68 per square foot.

The Respondent stated that Exhibit R-1, pages 23 - 26 were The Network detail sheets verifying these sales. The Respondent submitted that the sales comparables supported the assessment of the subject property at \$112.42 per square foot. The Respondent noted that all four sales comparables were also used by the Complainant.

The Respondent presented to the Board a chart with five 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 1998 to 2008.
- The site coverages ranged from 29% to 41%.
- The main floor building areas ranged from 56,446 to 143,995 square feet.
- The total building areas ranged from 58,067 to 143,995 square feet.
- The main floor area assessments ranged from \$103.36 to \$133.92 per square foot.
- The total area assessments ranged from \$103.36 to \$130.18 per square foot.

The Respondent pointed out that the Respondent's equity comparables #4, #5 and #6 were also used by the Complainant. The Respondent submitted that all the equity comparables supported the assessment of the subject at \$112.42 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 (Exhibit R-1, pages 28 – 29) addressed the Complainant's comparables and challenged most for a variety of reasons such as dissimilar attributes, calculation errors, and the absence of third party documentation.

The Respondent advised the Board that Exhibit R-1, pages 30 - 78 were to be disregarded.

The Respondent stated that the subject had received a 10% adjustment to account for lack of visibility of building #2.

In summary the Respondent submitted that the Complainant had not clearly shown how they arrived at the \$ 7,268,664 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 recommended 2011 assessment at \$8,436,000 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 recommended 2011 assessment of \$8,436,000 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 22). The sales comparables were similar in terms of site coverage, age, and condition. The Respondent utilized four of the Complainant's sales for the Respondent's comparables. The time adjusted selling price per total square foot ranged from \$109.39 to \$124.68, which supports the subject property's assessment per square foot.

The Board was persuaded by the Respondent's evidence regarding the five equity comparables (Exhibit R-1, page 27). Although the Respondent presented six comparables the Respondent advised the parties that comparable #2 should be withdrawn due to an incorrect value on the comparable. 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 comparables # 4, 5 and 6 were also utilized by the Complainant. The assessment per square foot ranged from \$109.80 to \$130.18, which supports the assessment of \$112.42.

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: MCINTYRE CENTRE LTD