



ASSESSMENT REVIEW BOARD

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

NOTICE OF DECISION NO. 0098 433/11

Altus Group
17327 106A Avenue
Edmonton, AB T5S 1M7

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 16, 2011, respecting a complaint for:

Roll Number	Municipal Address	Legal Description	Assessed Value	Assessment Type	Assessment Notice for:
9968547	11604 149 Street NW	Plan: 9923439 Block: 2 Lot: 3	\$12,914,000	Annual New	2011

Before:

Robert Mowbrey, Presiding Officer
Dale Doan, Board Member
Lillian Lundgren, Board Member

Board Officer:

Annet Adetunji

Persons Appearing on behalf of Complainant:

Chris Buchanan, Altus Group Ltd.

Persons Appearing on behalf of Respondent:

Will Osborne, Assessor, City of Edmonton

PROCEDURAL AND 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.

The Respondent recommended a reduction in the 2011 assessment from \$12,914,000 to \$11,656,000. The recommendation was not accepted by the Complainant. The Respondent advised the Board that the Respondent would be defending the reduced 2011 assessment of \$11,656,000.

BACKGROUND

The subject property is a large three building warehouse located at 11604 149 Street NW. The subject property has an effective year built of 1981 and a total building area of 123,520 square feet. The site coverage of the subject property is 37% and the 2011 assessment is \$12,914,000.

ISSUE

Is the subject property assessment correct and equitable?

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 filed this complaint on the basis that the subject assessment of \$12,914,000 is in excess of the market value. In support of this position, the Complainant presented seven sales that have been time adjusted using the City of Edmonton's time adjustment schedule from the date of sale to the valuation date. The age of the comparables ranges from 1974 through to 2007 and the leasable building areas range from 89,784 to 399,767 square feet with site coverage from 35% to 56%. The sale price per square foot ranged from \$67.46 to \$87.90. The average of the sales is \$77.15 per square foot and the median is \$75.40 per square foot. The Complainant advised the Board that one of the most salient features of real estate is the tendency for the price per square foot of land or building space to decrease as the net square footage in a transaction increases. This is known as the economies of scale. Conversely, the price per square foot tends to rise as the property size decreases.

The Complainant advised the Board that due to attributes such as age, location, and site coverage of the subject property, it has been determined that the indicated value for the subject property is \$75.00 per square foot.

In addition, the Complainant presented seven equity comparables to the Board. The equity comparables ranged in age from 1970 to 1981. The site coverage ranged from 29% to 46%. The leasable building area ranged from 100,368 square feet to 120,062 square feet. The assessment per square foot of leasable building area ranged from \$60.81 to \$82.01. The average assessment per square foot of leasable building area for the equity comparables is \$69.39 and the median is \$64.13.

The Complainant advised the Board that large transaction sales were difficult to obtain and therefore the parameters were expanded in terms of location.

Under argument and summation, the Complainant advised the Board that the subject property was a classic example of economies of scale.

The Complainant stated that assessments on similar competing properties indicate an equitable value to be \$8,028,500 and the Complainant, as such, is asking for \$8,028,500.

POSITION OF THE RESPONDENT

The Respondent advised the Board regarding the mass appraisal process that the City of Edmonton utilizes for their warehouse inventory. The Respondent utilizes the direct sales methodology and sales occurring from January 2007 through June 2010 were used in the model development and testing.

Sales were validated by conducting site inspections and interviews, and by reviewing title transfers, sales validation questionnaires, and four data collection sources.

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 building, the total area of the main floor, developed second floor and mezzanine area.

The most common unit of comparison for industrial purposes 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.

The Respondent presented eight sales to the Board detailing comparables similar to the subject property in terms of age, location, site coverage and total building area. (Exhibit R-1 page 23). The sales comparables ranged in age from 1962 to 2005. The total building areas ranged in size from 20,296 to 89,785 square feet. The comparable sales ranged from \$87.90 to \$147.66 per time adjusted selling price per total building square foot, which generally support the recommended reduced 2011 assessment of \$94.37 per square foot.

The Respondent presented twenty one equity comparables similar to the subject property in terms of age, site coverage, condition and total building area. (Exhibit R-1 page 32). The comparables ranged from an assessment per total building square foot of \$92.81 to \$136.51, which generally supports the recommended assessment of \$94.37 per square foot.

The Respondent challenged the Complainant's #1 sale (12810 170 Street) stating the sale price was \$31,536,250 (Exhibit R-1 page 33).

The Respondent challenged the Complainant's #6 sale (11650 154 Street) stating the sale was not at arm's length. The sales return documents stated the parties were related. (R-1 page 34).

The Respondent challenged the Complainant's #7 equity comparable (18131 118 Avenue) stating the mezzanine area of 9,190 square feet was not correctly accounted for. (R-1 page 35).

The Respondent requests the Board to accept the recommended reduced 2011 assessment of \$11,656,000.

DECISION

The decision of the Board is to accept the recommended 2011 assessment of \$11,656,000.

REASONS FOR THE DECISION

The Board reviewed the Complainant's sales comparables and the Respondent's sales comparables and found the Respondent's sales comparables to be more compelling than the Complainant's sales comparables. The Complainant's sales comparables had two that were eliminated due to issues. One comparable had the incorrect sale price and the second comparable was non arm's length. In addition, the first three sales comparables of the Complainant was twice the size or more of the subject property and both parties acknowledged that with the economies of scale, the price per square foot decreases as the net square footage in a transaction increases. In addition, the Complainant did not indicate which comparables were multi-faceted or one large building. Although, the Complainant stated there was no real difference between multi-faceted buildings and one large building, the Board agreed there was a difference.

The Board reviewed the Respondent's sales comparables (R-1 page 23) and noted that sales #'s 1 to 3 sold with two buildings present; therefore the Board concentrated on these sales. The three sales were all similar in age, condition and site coverage. The average of these three sales was \$103.54 per square foot and the median was \$109.39 per square foot time adjusted selling price, which supports the recommended reduced assessment of \$94.37 per square foot.

The Board found the Complainant's equity comparables had no space breakdown and made the appropriate assessment per square foot difficult to achieve.

The Board was satisfied that the Complainant did not provide sufficient and compelling evidence to form an opinion as to the incorrectness of the assessment.

DISSENTING OPINION AND REASONS

There was no dissenting opinion.

Dated this 12th day of December, 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: NO 352 CATHEDRAL VENTURES LTD