



ASSESSMENT REVIEW BOARD

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

NOTICE OF DECISION NO. 0098 46/11

AEC INTERNATIONAL INC.
#112, 1212 1st Street SE
Calgary, AB T2G 2H8

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 July 12, 2011, respecting a complaint for:

| Roll Number | Municipal Address | Legal Description | Assessed Value | Assessment Type | Assessment Notice for: |
|-------------|---------------------|--------------------------------------|----------------|-----------------|------------------------|
| 10034397 | 18003 114 AVENUE NW | Plan: 0522719 Block: 2 Lot: 10 | \$5,956,500 | Annual New | 2011 |

Before:

Larry Loven, Presiding Officer
Reg Pointe, Board Member
Taras Luciw, Board Member

Board Officer: Kristen Hagg

Persons Appearing on behalf of Complainant:

Jason Luong, AEC International

Persons Appearing on behalf of Respondent:

Mary-Alice Nagy, City of Edmonton
Luis Delgado, City of Edmonton
Stephen Leroux, City of Edmonton

PRELIMINARY MATTERS

There were no preliminary matters raised at the hearing.

BACKGROUND

The subject property contains a 56,400 square foot industrial warehouse, including a finished mezzanine area of 1,840 Square feet, located at 18003 – 114th Avenue. The building was constructed in 2005 and has site coverage of 39%.

ISSUE(S)

Is the 2011 assessment of the subject property at \$5,956,500 fair and equitable?

LEGISLATION

The Municipal Government Act, R.S.A. 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 submitted written evidence in the form of an Appeal Brief (C-1) comprising 79 pages, which included sales and equity comparables supporting the Complainant's value conclusion, and a rebuttal package (C-3) supporting a negative time adjustment factor.

The Complainant described the subject property as a large, multi-tenanted warehouse, constructed in 2005, containing 56,400 square feet and situated on a 3.241 acre site, which equates to site coverage of 39%.

The evidence included six sales comparables of industrial properties between 40,000 and 70,000 square feet that sold between January, 2009 and August, 2010 (C-1, page 10). The sales price of the six comparables range between \$59.92 and \$161.21 per square foot, with an average of \$88.90 per square foot; by eliminating the high and the low outliers, the average is \$78.07. The comparable properties were described as being "fair" and "good" comparables.

The Complainant identified comparables #5 and #6 as most comparable (C-1, page 19). Both are located in the northwest quadrant in the general vicinity of the subject, and both are older than the subject. Comparable #5 had undergone extensive renovations and sold for \$91.24 per square foot and comparable #6 sold for \$74.28 per square foot.

From these comparables, the Complainant concluded an assessment of \$90 per square foot would be appropriate and applied it to the subject resulting in an assessment of \$5,076,000, the requested reduced assessment (C-1, page 19).

The evidence included six sales comparables with their assessments submitted as equity comparables. The Complainant undertook a survey of 2011 assessments of industrial warehouse properties in Edmonton and, when comparing 36 sales with their assessments, it was found that the model was within quality standards with a large sample size. However, when observing a smaller number of sales of similar sized properties as the subject, inequality in assessments was found. On properties of between 40,000 and 70,000 square feet, they saw some assessments up to 40% over the sale price and some 20% under the sale price. The subject, with 56,400 square feet, is in this range. Their view is that the model failed to accurately assess these sales (C-1, page 21). The assessments of the six comparables range between \$78.04 and \$128.95 while their sale prices range from \$59.92 to \$161.12. Taking into consideration that the model is inaccurately predicting the value of similar properties to the subject by 20%, the assessment would fall in line with the conclusion of \$90 per square foot. The current assessment at \$106 per square foot, with a 20% downward adjustment, would result in an assessment of \$85 per square foot, equating to \$4,794,000 for the subject property (C-1, page 22).

In rebuttal, the Complainant stated that the Respondent incorrectly time adjusted sales (C-3, page 3), thereby not reflective of the marketplace, and used dated sales in their comparable sales (R-1, page 20). While the Respondent adjusted prices upward up to 16%, the Complainant held that the real estate market decreased by up to 10% during the period from June, 2007 to March, 2009 (C-3, pages 15 and 18).

POSITION OF THE RESPONDENT

The subject property has a total building area of 56,400 square feet, is in average condition and was built in 2005; it is assessed at \$5,956,500 or \$105.61 per square foot.

Sales of comparable properties (R-1, page 20) range from \$101.65 to \$147.66 per square foot. As is shown in the Network picture, (R-1, page 24), sale comparable #4 is the same type of building as the subject and sold at an adjusted sale price of \$125.32 per square foot.

Equity comparables (R-1, page 26) show that assessments of similar properties range from \$100.53 to \$112.65 per square foot while the subject is assessed at \$105.61 per square foot.

A review of the Complainant's six comparables (R-1, page 27) revealed that none of the sales were useful for analysis of the subject assessment.

The Respondent advised that it is not appropriate to look at assessments to sales ratios (C-1, page 21) as these ratios are not a matter for complaint under the legislation. An arbitrary time frame was used in the survey which does not follow the 3-½ year period used in the Respondent's model; no criteria are indicated for the survey and sales that are not comparable have not been excluded. In addition, it is not appropriate to challenge the model using sales information that

has not been validated. Errors in the survey undertaken by the Complainant make it unreliable when comparing it to the model.

The Board was advised that sales occurring from January 2007 to June 2010 were used in model development and testing for standard industrial warehouses. A value for specific property characteristics is determined through the mass appraisal process and applied to the inventory to determine the most probable selling price. Estimates of value are calculated using multiple regression analysis, which follows the forces of supply and demand in the market place.

Sales used in the mass appraisal process are validated with site inspections, interviews, title searches, questionnaires and data collection agencies. Factors found to affect value in the warehouse inventory were: the location of the property; the lot size; age of the building; condition of the building; main floor area; and developed second floor and mezzanine.

The Respondent also referred to a 2011 industrial monthly time adjustment factor sheet, which indicates the numerical factor to be applied to a sale value occurring prior to the July 1, 2010 valuation date. The factors were determined from the analysis of all industrial sales taking place 3 ½ years prior to July 1, 2010; they reflect the rapid price increases in 2007 continuing into early 2008, and eventually starting to decline later in 2008 due to global uncertainty. Low sales activity from the fall of 2008 to July 1, 2010 demonstrated little change in values during that period and is reflected in the factors applied.

The Respondent advised the Board that much of the Complainant's rebuttal evidence contained reports on the stock market and land sale trends which were not a good indicator of Edmonton warehouse values.

DECISION

It is the decision of the Board to confirm the final 2011 assessment of the subject property at \$5,956,000.

REASONS FOR THE DECISION

| Factor | Complainant (C) Min | Complainant (C) Max | Subject | Respondent (R) Min | Respondent (R) Max |
|--------------------------|--------------------------------|--------------------------------|----------------------|-------------------------------|-------------------------------|
| Location | 2-SE;4-W | | W | 5-W | |
| Site Coverage | 29% | 52% | 39% | 20% | 45% |
| Year Built | +15 (2000) | +46 (1959) | 2005 | 2007 (-2) | 1979 (+26) |
| Condition | NA | NA | AVG | AVG | AVG |
| Building Size (Sq.Ft) | 50,250 | 69,000 | 54,560(C)/54,560(R) | 32,354 | 118,800 |
| Price (per Sq.Ft) | \$59.92 | \$161.21 | \$106(C)/\$105.61(R) | \$101.65 | \$147.66 |

Based on the Board's consideration of the six sales comparables provided by the Complainant versus the five sales comparables provided by the Respondent summarized in the table above, the Board finds that the characteristics of the Respondent's more closely match the characteristics of the subject property.

| Factor | Complainant (C) Min | Complainant (C) Max | Subject | Respondent (R) Min | Respondent (R) Max |
|---------------------------|------------------------|------------------------|----------------------|-----------------------|-----------------------|
| Location | 2-SE;4-W | | W | 5-W | |
| Site Coverage | 29% | 52% | 39% | 37% | 42% |
| Year Built | +15 (2000) | +46 (1959) | 2005 | 2007 | 1996 |
| Condition | NA | NA | NA | AVG | AVG |
| Building Size (Sq.Ft) | 50,250 | 69,000 | 54,560(C)/54,560(R) | 41,326 | 57,598 |
| Assessment (per Sq.Ft) | \$59.92 | \$161.21 | \$106(C)/\$105.61(R) | \$100.53 | \$112.65 |
| ASR (per Sq.Ft) | 80% | 140% | | | |

Given the Board's consideration of the six equity comparables (same as the sales comparables) provided by the Complainant versus the five equity comparables provided by the Respondent as summarized in the table above, the Board finds that the comparables of the Respondent more closely match the characteristics of the subject property in terms of location, site coverage, and year built; therefore, the Board gives greater weight to the equity comparables provided by the Respondent, notwithstanding the Complainant's observation of the variability of the Assessment to Sales Ratio (ASR) for sales in the size range of the subject property.

The Board finds the Complainant's observation that an approximate 10% reduction in the value for Edmonton industrial warehouse properties occurred over a 20 month period is based on a limited number of paired sales, whereas the Respondent's time adjusted sale prices were supported by monthly time adjustment factors derived from a more complete set of sales information verified by the Respondent. As a result the Board places greater weight on the time adjustment factors used by the Respondent.

In conclusion, based on the above reasons, the Board finds that there is insufficient evidence to support a reduction in the assessed value of the subject property to a market value of \$90.00 per square foot or \$5,076,000 and confirms the final assessment for 2011 of \$5,956,500.

DISSENTING OPINION AND REASONS

None.

Dated this 19th day of July, 2011, at the City of Edmonton, in the Province of Alberta.

Larry Loven, 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, R.S.A. 2000, c.M-26.

cc: CITY WEST EQUITIES INC