



## ASSESSMENT REVIEW BOARD

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

### NOTICE OF DECISION NO. 0098 51/11

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:
10015716	9303 28 AVENUE NW	Plan: 0420657 Block: 9 Lot: 14	\$7,564,000	Annual New	2011

#### Before:

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

**Board Officer:** Kristen Hagg

#### Persons Appearing on behalf of Complainant:

Jason Luong, AEC International Inc.

#### Persons Appearing on behalf of Respondent:

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

## **PRELIMINARY MATTERS**

No preliminary matters were raised at the hearing.

## **BACKGROUND**

The subject property is a 72,280 Square foot industrial warehouse located at 9303 28 Avenue, Edmonton constructed in 2003.

## **ISSUE(S)**

Is the 2011 assessment of the subject property at \$7,564,000 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 92 pages, which included sales comparables supporting the Complainant's value conclusion, and a rebuttal package (C-2, 139 pages) supporting a negative time adjustment factor.

The Complainant described the subject property as a large, multi-tenanted warehouse containing 72,823 square feet. The building was constructed in 2003 and is situated on a 3.614 acre site which equates to site coverage of 46%.

The evidence included 10 sales comparables of industrial properties between 50,000 and 100,000 square feet that sold between January, 2009 and August, 2010 (C-1, page 12). The sales price of the 10 comparables range between \$59.92 and \$161.21 per square foot, with an average of \$95.14 per square foot. By eliminating the two high and the two low outliers, the average is \$85.36. The comparable properties were described as being "fair", "good" and "very good" comparables.

The Complainant identified comparables #1, #6, #7 and #10 as most comparable (C-1, page 25). Comparables #1, located in the southeast quadrant, and #10, located in the northwest quadrant, are older than the subject and sold for \$75.62 and \$81.29 per square foot respectively.

Comparable #6 is located in the northwest quadrant, is older but similar in size as the subject property and it sold for \$74.28 per square foot. Comparable #7 is also located in the northwest quadrant but is most similar in size and age and sold for \$96.47 per square foot. From these comparables, the Complainant concluded an assessment of \$96 per square foot and applied it to the subject for a value of \$6,991,000 (C-1, page 25).

In rebuttal, the Complainant stated that the Respondent incorrectly time adjusted sales (C-2, page 3), thereby reflecting inflated sale prices, and used dated sales in their comparable sales (R-1, page 18). 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-2, pages 15 and 18).

### **POSITION OF THE RESPONDENT**

The Board was advised that sales occurring from January 2007 to June 2010 were used in the 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 most common unit of comparison for industrial properties is dollar value per square foot of building area. When using this basis, it is imperative that site coverage be a key factor in the comparison. Properties with a larger 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.

The subject property was built in 2003, has a total main floor area of 71,900 square feet and a mezzanine area of 380 square feet, is in average condition and has site coverage of 46%. The subject property was assessed using the industrial warehouse model and mass appraisal methods, as required by legislation, to arrive at an assessment of \$7,564,000.

Six sales comparables similar to the subject property sold in a range of \$93.21 to \$147.66 per square foot when adjusted to the July 1<sup>st</sup>, 2010 valuation date (R-1, page 18). The subject property is assessed at \$104.65 per square foot, well within the range for the comparables. The subject property has a 46% site coverage which is typical for industrial warehouses.

An equity analysis shows that, for buildings in similar size to the subject, the assessments are in a range of \$99.50 to \$127.33 per square foot and the assessments average \$110.21 (R-1, page 25). The subject is assessed at \$104.65 per square foot, well within the range of the equity comparables.

The Respondent submitted that only two sales comparables out of the 10 presented by the Complainant are useful for analysis, both of which support the assessment of the subject. Of the eight other sales, two are non-arms length sales, one required \$1,000,000 of capital maintenance,

one was part of a portfolio sale, one was sold vacant and three were much older than the subject. In addition, the Respondent pointed out that according to the Standard on Verification and Adjustment of Sales, all sales used in the valuation process need to be verified (C-1, page 65). This did not appear to have been done by the Complainant.

The Respondent entered into evidence a 2011 industrial monthly time adjustment factor sheet (R-3). This factor sheet 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 that much of the Complainant's rebuttal evidence contains reports on the stock market and land sale trends which are not a good indicator of Edmonton warehouse values.

## **DECISION**

It is the decision of the Board to confirm the final assessment of the subject property at \$7,564,000.

## **REASONS FOR THE DECISION**

<b>Factor</b>	<b>Complainant (C) Min</b>	<b>Complainant (C) Max</b>	<b>Subject</b>	<b>Respondent (R) Min</b>	<b>Respondent (R) Max</b>
Location	4-SE;6-W		SE	3-SE; 3-W	
Site Coverage	21%	52%	38%	34%	42%
Year Built	+5(2008)	+46 (1957)	2003	2007 (-4)	1998 (+5)
Condition	NA	NA	AVG	AVG	AVG
Building Size (Sq.Ft)	54,658	100,000	72,280(C)/72,280(R)	72,877	291,285
Sale (per Sq.Ft)	\$59.92	\$147.00	\$104(C)/\$104.65(R)	\$84.55	\$147.66

Based on the Board's consideration of the ten sales comparables provided by the Complainant versus the six sales comparables provided by the Respondent summarized in the table above, the Board finds that the characteristics of the Respondent's comparables more closely match the characteristics of the subject property. Furthermore, the Board accepts that of the Complainant's sales comparables provided, one may have been a portfolio sale which may have positively influenced the sale price of the property, and others have factors such as age, vacancy, non-arms length and deferred capital costs that may have negatively influenced the sale price.

The Board places considerable weight on the Respondent's seven equity comparables, as they closely match the characteristics of the subject property.

The Board finds the Complainant's observation that an approximately 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 factor 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 \$96 per square foot or \$6,991,000, and confirms the final assessment for 2011 of \$7,564,000.

### **DISSENTING OPINION AND REASONS**

Dated this 18<sup>th</sup> day of July, 2011, at the City of Edmonton, in the Province of Alberta.

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

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cc: JAYLOR REALTY MANAGEMENT INC