



ASSESSMENT REVIEW BOARD

Churchill Building
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Edmonton AB T5J 0G9
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NOTICE OF DECISION NO. 0098 562/11

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 28, 2011, respecting a complaint for:

Roll Number	Municipal Address	Legal Description	Assessed Value	Assessment Type	Assessment Notice for:
1532506	16114 111 AVENUE NW	Plan: 5856HW Block: 1	\$11,637,000	Annual New	2011

Before:

John Noonan, Presiding Officer
Reg Pointe, Board Member
Taras Luciw, Board Member

Board Officer: Segun Kaffo

Persons Appearing on behalf of Complainant:

Chris Buchanan

Persons Appearing on behalf of Respondent:

Stephen Leroux
Marty Carpentier

BACKGROUND

The subject property comprises 2 industrial buildings constructed in 1975 (effective year built) and 2006, and covering 22% of a quarter-circle shaped 388,147 sq. ft. lot in the Sheffield Industrial neighbourhood. The larger building measures 61,196 sq. ft. including 7,616 sq. ft. of developed mezzanine space, and the smaller building is 31,800 sq. ft., all main floor development. In total, the leasable area is 92,996 sq.ft. The assessment was prepared by a sales comparison model using 3½ years of sales data from January 2007 through June 2010. The 2011 assessment model does not differentiate main floor office or warehouse space, but did find mezzanine office space a value factor while mezzanine storage was not.

ISSUE(S)

An attachment to the complaint form identified the following issues:

1. The subject property is assessed in contravention of Section 293 of the Municipal Government Act and Alberta Regulation 220/2004.
2. The use, quality, and physical condition attributed by the municipality to the subject property are incorrect, inequitable and do not satisfy the requirement of Section 289 (2) of the Municipal Government Act.
3. The assessed value should be reduced to the lower of market value or equitable value based on numerous decisions of Canadian Courts.
4. The assessment of the subject property is in excess of its market value for assessment purposes.
5. The assessment of the subject property is not fair and equitable considering the assessed value and assessment classification of comparable properties.
6. The information requested from the municipality with regards to the assessment roll was so expensive that the costs impeded access to information.
7. The classification of the subject premise is neither fair, equitable, nor correct.

The complaint form listed an eighth issue:

8. The municipality has failed to account for various elements of physical, economic and/or functional obsolescence.

At the hearing, the CARB heard evidence and argument on the following issues:

- 1. Do the sales comparables show the subject is assessed in excess of its market value?**
- 2. Has the subject been equitably assessed?**

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 presented five sales comparables selected for similarity to the subject in age, location, lot size, site coverage and leasable area.

	Subject	Comparables Range
Lot size sq.ft.	388,147	179,010 – 353,056
Site coverage %	22	15 – 33
Leasable area	92,996	48,520 – 89,446
TASP/sf (subject assessment)	\$125.13	\$80.02 - \$133.91

The Complainant argued that on the market evidence, a range of \$80 - \$134 was indicated, and the subject should properly be valued at \$81 per sq.ft. which would yield a value of \$7,532,500. The Complainant also suggested that the sales comparables advanced by the Respondent were smaller properties, unlike the 92,996 sq.ft. subject.

The Complainant took issue with the Respondent's method of assessing multi-building properties: each building was assessed in isolation, with assessment parameters derived from single building properties, and then aggregated. This method overstated the value of a single-titled property. In the market, the subject would trade as one parcel, not as the sum of two individual buildings, each on its own title. Three Calgary CARB decisions dealing with such a situation were cited but not submitted: 1315/2010-P, 0756/2010-P and 0540/2010-P.

Issue 2: Assessment equity

Four equity comparables were presented, selected for similarity to the subject in age, location, lot size, site coverage and leasable area.

	Subject	Comparables Range
Lot size sq.ft.	388,147	295,900 – 684,822
Site coverage %	22	15 – 29
Leasable area	92,996	87,881 – 126,335
Assessment/sq.ft	\$125.13	\$71.82 - \$92.82

These comparables showed a median assessment of \$80.92 per sq.ft. and an equitable value of \$81 per sq.ft. was determined, or \$7,532,500. The Complainant suggested that even if one were to accept the methodology and equity comparables, the older and larger building would be valued in the range of \$100 per sq.ft., and the smaller about \$140. The sum would be \$10,571,000 or some 10% lower than the current assessment.

POSITION OF THE RESPONDENT

Issue 1: Sales Comparables

The Respondent presented 10 sales comparables, 4 selected to show similarity to the larger 61,1960 sq.ft. building on site, as well as 6 comparables to show similarity to the smaller 31,800 sq.ft. building.

	Subject	Comparables Range
Site coverage %	22	11 – 46
Total building area sq. ft.	92,996	11,232 – 46,685
Office mezz included in area	7,616	728 – 1,954
TASP/sf (subject assessment)	\$125.13	\$90.34 - \$272.50

The Respondent described the property as having substantial underlying land value, occupying some 9 acres on a major road. This in combination with a new building drove the assessed value.

The Respondent suggested that it would be improper to view the subject as a single 92,996 sq.ft. property. Such a property would have a lower per sq.ft. value than the subject. The cost of construction would be much different for one large building than two smaller buildings, and the higher cost associated with smaller buildings would reward the landlord with less risk and greater flexibility. The Respondent acknowledged that multi-building sales were difficult to find, witnessed at this hearing where only three of the fifteen sales presented by the two parties was in this category.

Issue 2: Assessment equity

The Respondent presented two groups of equity comparables, one group of four comparables to the smaller building, and a second group of five similar to the larger:

	Subject	Comparables Range
Site coverage %	22	17 – 33
Total building area sq. ft.	92,996	31,400 – 48,000
Office mezz included in area	7,616	2,350 – 6,566
Assessment/sq. ft.	\$125.13	\$97.43 – 152.68

Seven of the nine comparables were assessed as being on major roads. The first group showed a range of \$97-\$106 per sq.ft. and the second group hovering around \$138. The subject is a blend of these two types.

DECISION

The CARB confirms the assessment of \$11,637,000.

REASONS FOR THE DECISION

The CARB dealt with some concerns that arise in dealing with multi-building properties in another decision, roll number 1523315. Although the parties raised some of the same points as relevant to this complaint, the argument was not pursued as aggressively in this hearing. The Board was able to find in the evidence a comparable similar to the subject, and so was able to side-step this contentious argument.

The Respondent pointed out a number of problems with the Complainant's sales information. For instance, a sale at 14510 124 Ave was presented as having a leasable area of 70,440 sq.ft. but that number includes a 5040 sq.ft. cold storage shed. If the shed were excluded, the sale price would rise from \$80.70 to \$91.24 per sq.ft. Another sale at 10025 51 Ave was identified as having 89,446 sq.ft. but the Network description of the sale listed it at 79,615 sq.ft., the difference accountable to storage sheds. If the lower number were used, the price would change from \$81.12 to \$91.14 per sq.ft. The parties had differing viewpoints on the proper size of a sale at 12802 156 Street, a property the CARB had to reject as a comparable due to the presence of a number of outbuildings, not all of them sheds, that made a calculation of the true leasable area an impossible task. The Respondent also found fault with one of the equity comparables, again a size discrepancy of some 12,000 sq.ft. at 10450 178 Street. A further two equity comparables had been assessed on the cost approach, being special purpose properties, and their assessments should not be compared to the subject's.

The best evidence before the Board was the comparable at 10025 51 Avenue, well-situated on a major road and comprising if not two separate buildings, what the Network describes as a North area and a South area. The property has 7.45 acres, 1½ acres less than the subject, and the 79,615 sq.ft. improvement is in the ballpark of the subject's improvement size. There is a significant age difference as the 51 Avenue property is described as having a year of construction of 1961, and the Complainant has calculated a weighted age for the subject of 1986, a difference of 25 years. The CARB made some approximate adjustments to account for differences in comparing the two: the subject's developed mezzanine was considered at only 60% of the value of main floor space, thus making the subject equivalent to 89,950 sq.ft. of main floor area; an age adjustment of 25% was applied, the reasoning being that a far newer development like the subject could expect to have a longer economic life. As the 1961 comparable had sold for \$91.14 per sq.ft., the CARB felt a newer property could be expected to command \$113.92. Applied to the subject's equivalent area, one derives a value of some \$10,190,000. However, the subject has the benefit of an additional 1½ acres of land, which if valued at \$750,000 per acre would add \$1,125,000 for a total of a little more than \$11.3 million. The CARB emphasizes that these adjustments are very rough approximations, and likely encompass both conservative and liberal assumptions, but in the end, giving a reasonable estimate. The Board notes that this estimate is well within 5% of the assessment of \$11,637,000, a tolerance range within which the CARB historically declines to meddle. The CARB concurs with the Respondent in observing that the large lot size of the subject adds considerable value, which when expressed as a dollar value per sq.ft. of improvement tends to appear high in comparison to some sales and/or equity comparables, but in reality is a reasonable estimate of market value.

Dated this 21st day of December, 2011, at the City of Edmonton, in the Province of Alberta.

John Noonan, 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: STRAITS LAND INC