



ASSESSMENT REVIEW BOARD

MAIN FLOOR CITY HALL
1 SIR WINSTON CHURCHILL SQUARE
EDMONTON, ALBERTA T5J 2R7
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July 15, 2010

NOTICE OF DECISION NO. 0098 63/10

AEC International
112 - 1212 1st St. S.E.
Calgary, Alberta
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 Assessment Review Board (ARB) from a hearing held on July 12, 2010 respecting an appeal on the 2010 Annual New Realty Assessment.

Roll Number 10138842	Municipal Address 12959 156 th St. N.W.	Legal Description Plan: 0827733, Block:102, Lot:31A
Assessed Value \$9,541,000	Assessment Type Annual New	Assessment Year 2010

Before:

Tom Robert, Presiding Officer
John Braim, Board Member
Thomas Eapen, Board Member

Persons Appearing: Complainant

Cameron Hall, AEC

Persons Appearing: Respondent

Stephen Leroux, Assessor, City of Edmonton
Steve Lutes, Lawyer, City of Edmonton

PRELIMINARY MATTERS

The Complainant submits that the Respondent's evidence package does not disclose an argument, and is therefore counter to the principles of natural justice. The Complainant does not submit the evidence is inadmissible, however, the Respondent should be barred from speaking on these matters and that in the future the City should be forced to reference documents in their evidence package.

The Respondent submits the Complainant's evidence is not actually a rebuttal. Instead there are allegations the City has not disclosed properly although the City followed the same service style.

In regards to the Assessor not being able to speak because of a lack of signed witness statement, Mr. Leroux is presenting as a representative, not a witness.

The City submits that as the Respondent their argument is implicitly and obviously to uphold the City's tax assessment.



BACKGROUND

The subject property is a distribution warehouse. The building is two years old. The City of Edmonton has utilized the 'cost' approach of valuation, which encompasses both building replacement cost as well as land value. The buildings comprise approximately 100,000 sq. ft.

ISSUE(S)

Is the assessment of the subject property equitably assessed with similar property and according to market value as prescribed by s. 467(3) of the Municipal Government Act?

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 City of Edmonton's cost approach yields an assessment that exceeds market value. The City has classified the subject property as 'special purpose' however that is not an appropriate classification. Special Purpose property is evaluated by the cost approach in the absence of other market information, however, for conventional property, like the subject property, the cost approach must include an adjustment to market when market information is present.

The Complainant submits that the City's assessment model incorporates bias in that it under values extremely large-scale warehouses (over 250,000 sq. ft.) and it over values smaller large scale warehouses (under 250,000 sq. ft.) while warehouses around 250,000 sq. ft. are appropriately valued. The Complainant argues that the subject property is among the most over valued of its class of property.

The Complainant presented information about several comparable properties. Using that information, including valuations based on an income approach, a comparable sales approach and a cost approach, the Complainant submits the best estimate of the subject property's assessed value is \$7,700,00 (rounded) or \$7,696,667.

POSITION OF THE RESPONDENT

The Respondent utilized the cost approach, the income approach and the direct sales comparison approach to arrive at an estimate of value for the subject property. The cost approach did not support the figures of either the income approach or the direct sales comparison approach, but the latter two figures did support each other and support the 2010 assessment.

The Respondent also provided an equity approach utilizing eight very similar buildings which again supports the 2010 assessment. Furthermore the classification of the subject property is appropriately

classified as an industrial building even though it falls under the technical specifications of a mega-warehouse.

The utilization of the direct sales comparison approach is considered the most appropriate as there are a large number of owner/user warehouse sales when compared to the multi-bay and single tenant facilities.

DECISION

The Board confirms the assessment at \$9,541,000.

REASONS FOR THE DECISION

The Board noted the Complainant, in his income approach, used twelve cap rates from Jan 2007 to Aug 2009 which were not time adjusted and the Lease rates were not supported. The Complainant used 4 sales of properties in his market comparison approach from Jan 2007 to May 2009. These were not time adjusted and the building sizes ranged from 1.6 to 2.5 times larger than the subject thus bringing into question and/or limiting their comparability.

The Board noted the Complainant used 4 equity comparables that ranged from 1.6 to 4 times larger than the subject and again bring into question their comparability. The Respondent provided 8 equity comparables of newer buildings of reasonably similar size to the subject, with similar site coverage and in similar condition. These equity comparables support the assessment.

On the basis of the equity argument put forward by the Complainant, the average A.S.R. of the comparable is approximately 74%. The Board is of the opinion that the ASR percentage arrived at must be applied to the best comparable arrived at via the direct comparison approach.

The Board is of the opinion that the best comparables are at 9551-45th Ave. at \$131.24/ sq. ft. and 17404-111 Ave. at \$139.91/ sq. ft. averaging \$135.57/ sq. ft. Applying the 74% overall median A.S.R. indicates a value of approximately \$100.32/ sq. ft. which supports the current assessment of \$95.39/ sq. ft. (\$9,541,000).

The Board believes that the application of a median A.S.R. should not be applied to a 'special purpose' building cost base assessment.

The Board was of the opinion that the cost approach to value as put forward by both parties was a weaker approach.

Dated this 15th day of July, 2010 at the City of Edmonton, in the Province of Alberta.

Presiding Officer

CC: AEC INTERNATIONAL, SIP HOLDINGS LTD

