



ASSESSMENT REVIEW BOARD

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10019 103 Avenue
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NOTICE OF DECISION NO. 0098 672/11

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 January 9, 2012, respecting a complaint for:

Roll Number	Municipal Address	Legal Description	Assessed Value	Assessment Type	Assessment Notice for:
10005943	4225 92 Avenue NW	Plan: 3597NY Block: 1 Lot: R1 / Plan: 3597NY Block: 3	\$15,477,500	Annual New	2011

Before:

Robert Mowbrey, Presiding Officer
Brian Hetherington, Board Member
Tom Eapen, Board Member

Board Officer:

Annet Adetunji

Persons Appearing on behalf of Complainant:

Walid Melhem, Altus Group Ltd

Persons Appearing on behalf of Respondent:

Joel Schmaus, Assessor, City of Edmonton

PROCEDURAL MATTERS

Upon questioning by the Presiding Officer, the parties present indicated no objection to the composition of the Board. In addition, the Board members indicated no bias with respect to this file.

BACKGROUND

The subject property is a large 178,770 sq. ft. warehouse, built in 1983 and located at 4225 92 Avenue in the Lambton Industrial subdivision of southeast Edmonton. The site coverage of the subject property is 22% and the 2011 assessment is \$15,477, 500.

ISSUE

What is the market value of the subject property?

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 property is assessed in excess of market value. In support of this position, the Complainant presented to the Board a chart with seven sales comparables of warehouse properties (Exhibit C-1, page 8). The sales comparables ranged in site coverage from 35 to 56% and had construction dates ranging from 1977 to 2007. The leasable building areas ranged in size from 97,743 to 399,767 square feet. The time-adjusted selling prices of the leasable building area ranged from \$67.46 to \$95.15 per square foot. The average per sq. ft. of the seven sales is \$78.18 and the median of the seven sales is \$75.40 per square foot.

The Complainant advised the Board that one of the most salient features of large real estate projects 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 (Economies of Scale). Conversely, the price of a square foot tends to rise as the property size decreases.

In addition, the Complainant presented four equity comparables to the Board (Exhibit C-1, page 9). The equity comparables ranged from 21 to 28% in site coverage and the year of construction ranged between 1975 and 1977. The assessment per square foot of leasable building area ranged from \$72.49 to \$89.07.

Based on the direct sales approach, the Complainant requested a 2011 assessment of \$13,586,000.

POSITION OF THE RESPONDENT

The Respondent presented the Board with a 76-page brief, including the City of Edmonton's Law and Legislation document (Exhibit R-1). The Respondent advised the Board of the City of Edmonton's mass appraisal approach for its warehouse inventory. The Respondent uses the direct sales methodology and sales occurring from January 2007 to June 2010 were used in the model development and testing.

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 sq. ft. of building area. When comparing properties on this basis, it is imperative that the site coverage be a key factor in the comparison.

To support the City of Edmonton's assessment of the subject property, the Respondent presented to the Board a chart of five sales comparables. The sales comparables ranged in effective year built from 1974 to 2007 (Exhibit R-1, page 26). The total building areas of the sales comparables ranged from 89,785 to 399,987 square feet. The time-adjusted selling price per square foot of total building area ranged from \$78.13 to \$125.32.

In addition, the Respondent presented seven equity comparables to the Board (Exhibit R-1, page 32). The equity comparables ranged from 1969 to 1999 for the effective year built and 15 to 36% for site coverage. The total building area ranged in size from 101,850 to 168,735 square feet. The assessment per square foot of the total building areas ranged from \$70.36 to \$115.50.

The Respondent challenged the viability of the Complainant's chart of sales comparables, identifying deficiencies in each of the seven properties (Exhibit R-1, page 19). The deficiencies included site coverage, large vacancies of some buildings, leases at below market rates, an incorrect sale amount, and an inferior location.

The Respondent asked the Board to confirm the City's assessment of the subject property at \$15,477, 500.

DECISION

The decision of the Board is to confirm the \$15,477,500 assessment of the subject property as being fair and equitable.

REASONS FOR THE DECISION

The Board agreed that the chart presented by the Respondent (Exhibit R-1, page 19), showing deficiencies in the comparables presented by the Complainant played a significant role in minimizing weight given by the Board to these sales comparables.

The Board also agreed with the submissions by the Respondent that the Complainant's sale comparable # 1 was assessed as a retail plaza, while the subject was assigned an industrial classification. Similarly, sales comparable #4 had been assigned an adjustment of 10% for the building configuration.

The Board also accepted the Respondent's concerns with three of the four Complainant's Equity Comparables. Number 1 contained an 18,342 sq. ft. finished mezzanine, while the subject property is a single floor building; # 2 had a 10% adjustment for access limitations to the site, because of the gas line easement cutting across the property; and property #3 was valued as a special purpose property.

The Board, however, put little weight on the chart of equity comparables presented by the Respondent, in that two had a 10% industrial adjustment and three had a finished second-floor space.

Jurisprudence has established the onus of showing an assessment is incorrect rests with the Complainant. The Board is satisfied that the Complainant did not provide sufficient and compelling evidence to enable the Board to form an opinion as to the incorrectness of the assessment.

DISSENTING OPINION AND REASONS

There was no dissenting opinion.

Dated this 30th day of January, 2012, 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: Ipex Inc