



ASSESSMENT REVIEW BOARD

Churchill Building
10019 103 Avenue
Edmonton AB T5J 0G9
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NOTICE OF DECISION NO. 0098 722/11

Altus Group Ltd
17327 - 106A Avenue NW
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 24, 2012, respecting a complaint for:

| Roll Number | Municipal Address | Legal Description | Assessed Value | Assessment Type | Assessment Notice for: |
|-------------|---------------------|----------------------------------|----------------|-----------------|------------------------|
| 10177260 | 11504 186 Street NW | Plan: 0940261 Block: 2 Lot: 9 | \$35,705,000 | Annual New | 2011 |

Before:

Steven Kashuba, Presiding Officer
James Wall, Board Member
Petra Hagemann, Board Member

Board Officer: Tannis Lewis

Persons Appearing on behalf of Complainant:

Walid Melhem, Senior Consultant, Altus Group

Persons Appearing on behalf of Respondent:

Melissa Zayac, Assessor, City of Edmonton
Steve Radenic, Assessor, City of Edmonton

PRELIMINARY MATTERS

1. 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

2. The subject land is improved with a 209,000 square feet warehouse structure, constructed in 2008 with a provision in the design of this property for some storefront bays. The subject property is located in White Industrial subdivision in the northwest quadrant of the city. The land area is 2,222,476 square feet, 9% site coverage, and the property is zoned IM, Medium Industrial Warehouse. The current assessment is \$35,705,000.

ISSUE(S)

3. The Complainant had attached a list of issues to the complaint form. However, at the time of the hearing, the majority of the issues had been abandoned and the only issues before the Board were the following:
 - 3.1 The market value of the land in the subject property is incorrect.
 - 3.2 The depreciated cost of the improvements is incorrect.

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

4. The Complainant indicated to the Board that the subject property had been assessed by the city of Edmonton by adding the market value of the land to the depreciated cost of the improvements with regard for the condition as at December 31, 2010.
5. In support of the Complainant's position, evidence was provided to the Board in a 41 page assessment brief (Exhibit C-1). The brief included general information on the subject property such as maps, photographs of subject, land sales comparables, sales datasheets, previous court orders, legislation, and reproduced sections from the Marshall Swift cost manual.

6. Land sales (Exhibit C-1, page 11) consisted of vacant land parcels which had sold between June 21, 2006 and May 2, 2008. Sizes of parcels ranged from 1,371,269 square feet to 4,811,638 square feet, and sold at time-adjusted sale prices which range from \$4.49 per square foot to \$9.86 per square foot, and reconciled by the Complainant to \$7.00 per square foot compared to the 2011 assessment of \$9.65 per square foot. The Complainant noted that the time adjustment factors utilized on the sales are the same factors used by the City of Edmonton for the subject type of land. It was concluded by the Complainant that the value of the subject land on the basis of \$7.00 per square foot would be \$15,557,329, compared to the Respondent's assessment of \$21,454,612.
7. The Complainant submitted that the Respondent had erred in classifying the subject building improvement as Industrial Flex (Mall) under section 453 of the Marshall Swift cost manual. The Complainant suggested that the building should have been classified as Mega (Storage/distribution) warehouse under section 584 (Exhibit C-1, page 25) instead of the Respondent's classification of Industrial Flex under section 453 (Exhibit R-1, page 24). The Complainant's method would result in a depreciated cost estimate for the building improvement of \$11,288,721, compared to the Respondent's depreciated cost estimate of \$14,250,669.
8. Both parties agreed on the site improvement assessment of \$682,998.
9. The Complainant requested that the 2011 assessment of the subject property be reduced to \$26,846,000 from the Respondent's assessment of \$35,705,000.

POSITION OF THE RESPONDENT

10. The Respondent provided the Board with a 25 page Assessment brief (Exhibit R-1) and a 42 page Law and Legislation brief (Exhibit R-2). The assessment brief contained mass appraisal methodology, photographs and maps of the subject, property detail report, land sales comparables (Exhibit R-1, page 19), sales datasheets, and a replacement cost detail report (Exhibit R-1, page 14) .
11. In support of the land assessment, the Respondent detailed 4 sales of larger vacant industrial land parcels (Exhibit R-1, page 19). These land parcels were located in the northwest, northeast, and southeast quadrants of the city and ranged in size from 844,077 square feet to 2,754,091 square feet. They have a time adjusted market value range of \$8.03 to \$10.40 per square foot. This supports the Respondent's 2011 assessment of \$9.65 per square foot, indicating an overall 2011 land assessment of \$21,454,612. The Respondent confirmed that sale comparable 3 with a time adjusted sale price of \$9.79 per square foot was the same sale put forward by the Complainant as sale #2 (Exhibit C-1, page 11) at \$9.86 per square foot. The Respondent indicated to the Board that all the sales which he had utilized were fully serviced properties. The Complainant's #2 sale comparable at \$9.86 per square foot is also serviced, but the remaining sales comparables #1 and 3 are un-serviced properties at \$4.49 per square foot and \$4.65 per square foot respectively.

12. Regarding the 2011 assessment of the subject improvements, the Respondent suggested that those characteristics were similar to that of Industrial Flex (Mall) buildings in the Marshall Swift cost manual (Exhibit R-1, page 24). Based on this category, the Respondent indicated that the 2011 assessment of the subject improvements as indicated by the Marshall Swift cost manual is \$14,250,669.
13. The Respondent requested that the Board confirm the 2011 assessment at \$35,705,000, consisting of the market value of the land at \$21,454,612 and the depreciated cost of the improvements at \$14,250,669.

COMPLAINANT'S REBUTTAL

14. The Complainant supplied the Board with characteristics of the various types of industrial buildings used in the calculation method in the Marshall Swift cost manual (Exhibit C-2, page 2). The characteristics are used in the determination of type and class of improvement to be used in the application of the manual. The Board's attention was specifically directed to typical characteristics of Mega Warehouses and Industrial Flex (Mall) improvements.
15. The Complainant submitted that the cost of improvements to the subject property should be considered as a Mega Warehouse rather than an Industrial Flex Mall improvement.

DECISION

16. The Board confirms the 2011 assessment of \$35,705,000.

REASONS FOR THE DECISION

17. The Board, in considering evidence and argument, finds the Respondent's land sales comparables particularly compelling. All sales represent very large industrial parcels similar to the subject and the Board notes that all represent serviced industrial land similar to the subject. Although located in different areas of the city, the Board concurs with the Respondent's opinion that the per unit market value of larger industrial parcels, such as the subject, is minimally different from one industrial location in the city to another.
18. The Board notes that the Respondent's land sales comparable #3 (Exhibit R-1, page 19) represents the same sales comparable as the Complainant's sales comparable #2. The Complainant and Respondent indicate a slightly different time adjusted sale price per square foot for this property (\$9.79 per square foot versus \$9.86 per square foot) and the Board considers this difference as being minimal. The Board finds this sales comparable, which is common to both parties, supports the \$9.65 per square foot land value estimate put forward by the Respondent. Although the Board appreciates that one sale does not necessarily make a market, it notes that general support of the land assessment is also offered by the Respondent's sales comparables #1, 2 and 4 (\$10.40 per square foot, \$10.23 per square foot, and \$8.03 per square foot respectively). In addition to the common sale, the Complainant's sales comparables #1, 3 and 4 (\$4.49

per square foot, \$4.65 per square foot, and \$4.86 per square foot respectively) are not serviced.

19. The Board finds that the Complainant's sales comparable #1 represents a very large parcel compared to the subject (i.e., 4,811,638 square feet versus 2,222,476 square feet) and therefore not only would require positive adjustments to be made when comparing it to the subject land for the lack of city services, but also for consideration of size which goes to the element of economies of scale.
20. The Complainant informed the Board that the land sale at a time-adjusted sale price of \$9.86 per square foot (sales #2) was probably their best comparable sale, however that it was only one sale and in their opinion it had sold at a price in excess of market value.
21. The Board is persuaded, based on the improvements in the subject property, type and general overall design, that an Industrial Flex (Mall) building classification under the Marshall Swift cost manual is appropriate. This is further supported by the Complainant's submission to the Board that a Multi-tenant use of the improvement is possible. However, the Board rejects the Complainant's argument which favors a classification of Mega storage/distribution warehouse.
22. Jurisprudence has established that the onus of showing an assessment is incorrect rests with the Complainant. The Board finds that the Complainant did not provide sufficient and compelling evidence to justify altering the 2011 assessment.

DISSENTING OPINION AND REASONS

23. There were no dissenting opinions.

Dated this 1st day of February, 2012, at the City of Edmonton, in the Province of Alberta.

Steven Kashuba, 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: YELLOWHEAD CROSSING DEVELOPMENT LTD