



ASSESSMENT REVIEW BOARD

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10019 103 Avenue
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NOTICE OF DECISION NO. 0098 729/11

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 16, 2012, respecting a complaint for:

Roll Number	Municipal Address	Legal Description	Assessed Value	Assessment Type	Assessment Notice for:
8970055	4150 101 Street NW	Plan: 4984NY Block: 1 Lot: 1	\$13,104,000	Annual New	2011

Before:

Steven Kashuba, Presiding Officer
Judy Shewchuk, Board Member
Ron Funnell, Board Member

Board Officer:

Annet Adetunji

Persons Appearing on behalf of Complainant:

Walid Melhem, Altus Group Ltd

Persons Appearing on behalf of Respondent:

Mary-Alice Nagy, Assessor, City of Edmonton
Cameron Ashmore, Barrister & Solicitor, 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.
2. Both parties requested that all evidence be received under oath or by affirmation.
3. The Respondent lodged an objection to the Complainant's submission of a Rebuttal Disclosure (Exhibit C-2, 27 pages) which, in their opinion, contained information which could be deemed as "*new evidence*." The Board recessed and considered the objection raised by the Respondent and ruled as follows: Pages 1, 8, 12, 13, 14, and 27 are admissible as rebuttal evidence while the other pages should be disregarded by the Board because the evidence contained on those pages is either referenced to another Roll Number, is new evidence, or is completely irrelevant to the Complaint at hand. Further to this, it is the decision of the Board to disallow any reference or any questions which would go to any pages in Exhibit C-2 other than pages 1, 8, 12, 13, 14, and 27.

BACKGROUND

4. The subject property, consisting of 2 buildings, is a large warehouse with a building area of 131,481 square feet of which 126,781 square feet is the main floor area. The effective year built is 1985, the site coverage is 34%, and the land size is 370,702 square feet. However, it is noted that one warehouse was constructed in 1967 while the second warehouse was constructed in 2004. The property is located in the Strathcona Industrial Park with a municipal address of 4150 – 101 Street, and is zoned IB. The current assessment for 2011 is \$13,104,000.

ISSUE(S)

5. The Complainant had attached a schedule of issues to the Complaint Form; however, at the hearing all issues were abandoned except for the following:
 - 5.1 Is the assessment of the subject property fair and equitable when considering the sales of comparable properties?
 - 5.2 Is the assessment of the subject property fair and equitable when considering the assessments of similar properties?

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

6. The Complainant is of the opinion that sales comparables presented in their submission indicate an assessment value of \$10,031,500 and equity comparables a value of \$11,399,500, in contrast to the assessment of \$13,104,000.
7. The Complainant's 7 sales comparables, presented in Exhibit C-1, page 8 reflect an average per square foot value of \$85.54 for total leasable area whereas the assessment value is \$100.58 per square foot. As a result, it is the Complainant's conclusion that a value of \$77.00 per square foot should be applied.
8. The sales values were time-adjusted to the valuation date of July 1, 2010, and were similar in terms of year of construction, site area and site coverage. With the exception of sales comparable numbers 1, 4, 6, and 7, the gross building areas and leasable space areas were similar to that of the subject property (Exhibit C-1, page 8). Further to this, the Complainant pointed out that, in general, the main office areas of the sales comparables reflected the ratio as is evident in the subject property. Of lesser impact, according to the Complainant, is the question of upper offices which show that the subject has an area of 3,500 square feet while only 3 of the 7 sales comparables have upper offices in their warehouses (Exhibit C-1, page 8).
9. In comparing the number of structures in the sales comparables in contrast to the 2 buildings on the subject property, the Complainant submitted that 2 of the 7 sales comparables had 2 or more buildings on title through which an accurate estimate of value per square foot could be derived and compared to the assessment per square foot in the subject property.
10. In the submission of the Complainant, the fact that the sales comparables were not taken from the subject subdivision nor from a subdivision nearby does not diminish the value of taking sales comparables somewhat removed in terms of distance from the subject property if sales closer to the subject property are not available. This is particularly true in this case where sales of comparable industrial warehouses near the subject property were not available.

11. In addressing the issue of equity comparables, the Complainant presented 8 equity comparables (Exhibit C-1, page 9). These, according to the Complainant, are similar in year of construction, site area, site coverage, gross building area, and leasable space. The assessments per square foot range from \$75.32 to \$104.83 while the subject is assessed at \$100.58 per square foot. From these comparables the Complainant submitted that an equitable assessment per square foot should be \$87.50.
12. Having regard for the sales and equity comparables, the Complainant requested that the assessment be reduced to \$10,031,500.
13. In support of a request to reduce the assessment, the Complainant presented three CARB decisions (Exhibit C-1, pages 51 – 69) and, quoted ARB 0540/2010-P, page 53:

“While the Board agrees that buildings on multiple building parcels must be analyzed separately due to often great discrepancies in size, age and condition, an adjustment must be made to recognize that the buildings are on a single file. In the absence of such an analysis, the Board looked to the aggregate selling price of the most similar comparable to determine what an appropriate value might be.”

POSITION OF THE RESPONDENT

14. In support of the current assessment, the Respondent presented 7 sales comparables, 3 of which were selected in common with those selected by the Complainant (Exhibit R-1, page 17). These sales comparables are presented in a manner as to reflect the size and effective year built of the two structures on the subject property.
15. The first 2 sales comparables are presented to reflect the effective year built of the 1st building in the subject property of 1967. These two sales comparables reflect time-adjusted sales values of \$109.39 and \$124.68 per square foot for total building area, and support the assessment of \$100.58 per square foot. The Respondent asked that little weight be placed upon sales comparable #2.
16. The remaining grouping of 5 sales comparables (Exhibit R-1, page 17) submitted by the Respondent reflect the effective year built of 2004, the same as the 2nd building in the subject property. These 5 sales comparables show an average assessment of \$111.13 per square foot in contrast to the subject property which is assessed at \$100.58 per square foot.
17. It is the submission of the Respondent that these sales comparables reflect characteristics similar to that of the 2 buildings on the subject property in terms of lot size, effective year built, condition, and total building area.
18. Of the 3 sales comparables selected by both parties, the Respondent pointed out that the sale of the property located at 9451 – 45 Avenue with a time-adjusted sales value of \$116.06 per square foot does support the current assessment of \$100.58 per square foot. As for the other 2 sales comparables selected by both parties in common (Exhibit R-1, page 17), sales numbers 5 and 7, would require an upward adjustment in that both are located in the West Edmonton area, which is an inferior location.

19. In response to a question of the Board, it is the Respondent's submission that each of the 2 buildings on the subject property should be valued in comparison to similar-sized buildings which exhibit similar characteristics in terms of effective year built, condition, main floor area, and total building area. Additionally, the Respondent submitted that the "*model*" utilized by the City of Edmonton does not add the time-adjusted price per square foot of each of the 2 buildings to arrive at a composite value but rather recognizes various factors which are subjected to computer analysis through which an assessment amount is derived.
20. As regards the sales comparables, it is the conclusion of the Respondent that 2 important elements are recognized; the first is that the subject property consists of two buildings, and the second being that each building should be valued separately to arrive at a final assessment value.
21. In addressing the question of equity, the Respondent presented 10 equity comparables (Exhibit R-1, page 25). Five of these were selected as equity comparables for Building #1 in the subject property, while 5 were selected as equity comparables for Building #2 in the subject property. The effective year built of these comparables reflects the two aspects of the subject where one structure was completed in 1967 while the second structure was completed in 2004. Within the 1st grouping of 5 equity comparables to reflect the effective year built 1967, the five equity comparables reflect an average assessment of \$82.33 per square foot for the total building area in contrast to the assessment of the subject property at \$100.58 per square foot.
22. As for the second grouping of five equity comparables (Exhibit R-1, page 25), the Respondent submitted that these are specifically selected to reflect characteristics similar to that of the 2nd building on the subject property which was constructed in 2004. In this analysis, the average assessment per square foot is \$126.52 for the total building area in contrast to the subject property of \$100.58 per square foot.

DECISION

23. **It is the decision of the Board to reduce the assessment of the subject property for 2011 from \$13,104,000 to \$12,377,000.**

REASONS FOR THE DECISION

24. In making its decision, the Board is presented with the challenge of determining the fair and correct assessment of a subject property which exhibits 2 warehouses, each of which has a total building area of 67,199 and 63,080 square feet respectively. However, building #1 was constructed in 1967 while building #2 was constructed in 2004.
25. The Board accepts the Complainant's argument that the subject property should be viewed as a whole and compared to other properties of similar size and which appear on a single assessment roll. The Complainant argued further that the model used by the City of Edmonton in calculating the value of multi-building parcels on a single assessment roll resulted in an inflated value. The Board recognizes that multiple buildings on a site on one assessment roll might have vast differences in size and condition. However, in the

opinion of the Board, it should be recognized that if the multi-building parcel is on one title, a purchaser would look to a value of the parcel in its entirety. As a result, the assessment of the subject property should reflect its market value as a single unit.

26. Having regard for the Board's decision to accept sales comparables which exhibit characteristics similar to the subject property in terms of effective year built, site area, site coverage, main floor area, and office space, the Board reviewed the Complainant's sales comparables and concludes that there exist inherent weaknesses in selecting any of these because none reflect the year built of the two warehouses on the subject property of 1967 and 2004. Notwithstanding, the Board is able to place some weight upon those sales presented by the Complainant which have 2 or more structures upon them. This means that sales numbers 3, and 5 should be considered.
27. Additionally, the Board places considerable weight upon sale number 4 in that it occurred in a subdivision very close to that of the subject property. By using this analogy, and placing the greatest weight upon sale #4, the Board concludes that a value of \$95.00 per square foot for floor area is not unreasonable. By applying this value to the gross building area of 130,281 square feet, the Board arrives at a value of \$12,376,695.
28. In considering the sales comparables presented by the Respondent, the Board must consider the element of comparability in terms of age, site area, condition, floor area, and total building area. As well, the Board must take into account the methodology utilized in arriving at an assessment value. It is the opinion of the Board that the methodology utilized by the Respondent where each building on a property is assessed on its own merits from which an assessment value is derived by *modeling*, requires an explanation. In this regard, the Board is not satisfied with the response from the Respondent. In this particular case, the question of how the Respondent was able to take a warehouse constructed in 1967 and the second one constructed in 2004 and arrive at the current assessment value, lacks clarity.
29. As a result, the Board places little weight upon the Respondent's sales comparables other than numbers 4, 5, and 7 selected in common with the Complainant (Exhibit R-1, page 17). On average, these three sales comparables reflect a value of \$97.70 per square foot. By applying this value to the total building area of 130,280 square feet, one arrives at an assessment value of \$12,728,356.
30. Turning to the question of equity comparables, the Board is once again confronted with the dilemma of seeking comparable properties which exhibit characteristics similar to that found in the subject property where one warehouse was constructed in 1967 while the second warehouse on the same property was constructed in 2004. It is for this reason that the Board finds that the 8 equity comparables presented by the Complainant (Exhibit C-1, page 9) to be of limited value in support of their request for a reduction in the assessment amount.
31. However, the Board is satisfied that the equity comparables reflect, in general, the characteristics of the subject property in terms of site area, site coverage, and gross building area. The one big difference between these equity comparables and the subject property is that of two warehouses in the subject property were constructed 37 years apart. It is upon this one significant variable that a judgment must be made as to the applicability of all of the equity comparables presented by either party.

32. As for the equity comparables presented by the Respondent (Exhibit R-1, page 25), the Board rejects the premise upon which these were derived as well and, therefore, their importance as equity comparables. By way of summary, the first grouping of 5 equity comparables for warehouses constructed between 1972 and 1975 was used by the Respondent to support the assessment of building #1 in the subject property. The average assessment per square foot in this grouping is \$82.23. This value per square foot is far below the value reflected in the assessment amount for the property.
33. Secondly, the Respondent presented 5 equity comparables to reflect the age of the 2nd warehouse in the subject property. On average, the assessment per square foot is \$126.52. This is far higher than is the value per square foot used to calculate the assessment amount. From these two scenarios, the Respondent must explain how the current assessment is derived. Other than the Respondent saying that it is the “*model*” that determines the final assessment calculation, no further explanation was forthcoming.
34. As a result, and although the Board does acknowledge the manner in which these equity comparables were presented by the Respondent, the Board rejects this methodology and is left with little alternative but to place the greatest amount of weight upon the sales comparables presented in common by both parties.
35. It is for these reasons that the Board concludes that a reduction in the assessment of the subject property from \$13,104,000 to \$12,377,000 is fully justified.

DISSENTING OPINION AND REASONS

There was no dissenting opinion.

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: SREIT (NUQUEST EDMONTON) LTD