



ASSESSMENT REVIEW BOARD

Churchill Building
10019 103 Avenue
Edmonton AB T5J 0G9
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NOTICE OF DECISION NO. 0098 891/11

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 March 23, 2012, respecting a complaint for:

Roll Number	Municipal Address	Legal Description	Assessed Value	Assessment Type	Assessment Notice for:
9992613	13525 FORT ROAD NW	Plan: 0125176 Block: 1 Lot: 13B	\$1,933,500	Annual New	2011

Before:

Don Marchand, Presiding Officer
Brian Carbol, Board Member
Mary Sheldon, Board Member

Board Officer: Segun Kaffo

Persons Appearing on behalf of Complainant:

Walid Melhem, Altus Group,

Persons Appearing on behalf of Respondent:

Ning Zheng, Assessor

PRELIMINARY MATTERS

- The Parties at the onset of the hearings affirmed to tell the truth. No objection was raised as to the composition of the CARB panel. In addition, the Board members indicated no bias with respect to this file.
- The issues set out were canvassed with the Parties. The Complainant advised that the issues were contained in items numbers 1 through 5, as shown on the SCHEDULE OF ISSUES found at page 3 of exhibit C1. The CARB notes that these issues have been paraphrased from the SCHEDULE OF ISSUES – Schedule A, filed by the complainant.

BACKGROUND

The subject consists of an IB zoned panhandle shaped parcel with a size of 67,469 square feet (1.55 acres) along Fort Road, near 136th avenue. On site is a 1996 built Car Wash facility with a footprint of 6,030 square feet.

The Parties treated the property with 9% site coverage or with 43,350 sq. ft. of excess land in relationship to typical site coverage of 25%.

The income approach to value is the chosen method of valuation by both parties. However, the Complainant also reconciled and gave consideration to the direct sales of similar properties in support of a lower assessment for the subject.

ISSUE(S)

1. Is the lease rate used in the assessment of the subject property correct?
 - The market value lease rate applied in the assessment is \$18.00 per sq. ft.; the Complainant is requesting a rate of \$15.00 per sq. ft.
2. Is the excess land adjustment used in the assessment of the subject property correct?
 - The market value land rate applied in the assessment is \$18.90 per sq. ft.; the Complainant is requesting a rate of \$12.00 per sq. ft.
3. Is the assessment of the subject property correct considering sales of similar properties?

LEGISLATION

Municipal Government Act, RSA 2000, c M-26

In this Act,

(n) “market value” means the amount that a property, as defined in section 284(1)(r), might be expected to realize if it is sold on the open market by a willing seller to a willing buyer;

289(2) Each assessment must reflect

- (a) the characteristics and physical condition of the property on December 31 of the year prior to the year in which a tax is imposed under Part 10 in respect of the property, and***
- (b) the valuation and other standards set out in the regulations for that property.***

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.*

Matters Relating to Assessment and Taxation Regulation (AR 220/2004)

2. *An assessment of property based on market value*

- (a) must be prepared using mass appraisal,*
- (b) must be an estimate of the value of the fee simple estate in the property, and*
- (c) must reflect typical market conditions for properties similar to that property*

POSITION OF THE COMPLAINANT

As to the lease rate applicable to the carwash space:

The Complainant indicated that car washes were rarely leased but were usually owner occupied and that this explained why neither his lease comparables nor his equity rent comparables referenced car wash establishments.

In support of his position that the lease rate used by the Respondent in its income valuation is incorrect, the Complainant presented to the CARB a chart of lease comparables:

Comp	Address	LUC	Yr Blt.	Type of space	net leasable area (sf)		Rental rate per sf
1	9499 137 ave	240	1973	Retail	4,834		\$15.00
2	12222 137 ave	244	1981	Retail	9,000		\$13.00
3	9499 137 ave	240	1973	Retail	4,834		\$15.00
4	14520 111 ave	200	1961	Warehouse	11,875		\$8.50
5	14520 111 ave	200	1961	Warehouse	10,289		\$10.50
6	9499 137 ave	240	1973	Retail	4,691		\$15.50
						Average	\$12.92
						Median	\$14.00
Subj.	13525 Ft. Rd.	267	1996		5,729	Assessment Rate	\$18.00
				Recommended Assessment Rate			\$15.00

The Complainant also presented to the CARB a chart of assessment lease rate equity comparables:

Comp	Address	LUC	Yr Blt.	Type of space	net leasable area (sf)		Rental rate per sf
1	8306 116 ave	200	1965	Retail	3,986		\$14.24
2	6521 118 ave	200	1964	Retail	6,339		\$13.75
3	10623 124 st	200	1976	Retail	4,009		\$13.00
4	10738 124 st	200	1975	retail	4,745		\$16.0
						Median	\$14.00
Subj.	13525 Ft. Rd.	267	1996		5,729	Assessment Rate	\$18.00
				Recommended Assessment Rate			\$15.00

The Complainant argued that the evidence in the two charts shows that the lease rate of \$18.00 per square foot used by the Respondent is too high and that a lease rate of \$15.00 per square foot is appropriate. The Complainant indicated that the comparables are all of superior spaces and that the subject is a low-grade warehouse structure used as a car wash.

As to the land rate (IB) applicable to the excess space:

The Complainant advised that there was no dispute as to the computation of the amount of land considered as excess. The Complainant presented a chart of nine land sales of properties which he indicated were similar to the subject. The average time adjusted sale price per square foot of these comparables was \$11.70 and the median time adjusted sale price per square foot was \$11.40. The Complainant submitted to the Board that a value per square foot of \$12.00 per square foot should be applied to the excess land of the subject. This would result in a value of \$520,199 for the excess land.

The Complainant provided a proforma using a \$15.00 per square foot lease rate and a value of \$12.00 per square foot for the excess land that would result in an amended assessment for the subject of \$1,442,500.

As to a value based on a direct sales comparison of the subject to similar property

The Complainant also provided a chart of five sales of comparables properties in support of his position that market data did not support the assessment of the subject. The Complainant indicated to the Board that these five sales comparables were car washes. The five sales have site coverage's of 24%, 29%, 9%, 32%, 30% and their corresponding sale price per square foot is \$212.68, \$148.92, \$324.18, \$158.33, \$195.51 respectively. The two sales with a site coverage less than 25% (underlined) were adjusted; the first downward by \$1.77 per sq. ft., the second downward by \$200.55 per sq. ft.

The Complainant arrived at an average value of \$167.46 per square foot. He submitted to the Board that a value of \$165 per square foot was appropriate, and that the value of \$234.38 in the current assessment of the subject was excessive. He argued that the value based on the market data provided would result in an amended assessment for the subject of \$1,515,149.

In summary the Complainant requested that the CARB amend the assessment to a value of **\$1,500,000.**

POSITION OF THE RESPONDENT

As to the lease rate applicable to the carwash space and:

The Respondent argued that the six lease comparables provided by the Complainant did not relate to automobile services and further argued that the Complainant's four equity rent comparables did not relate to carwashes.

The Respondent provided four lease comparables and five equity comparables. The first lease comparable is a carwash; the other three are auto glass, tire or lube shops. The Respondent indicated that the lease rates ranges from \$26.87 per square foot to \$16.00 per square foot and that the subject rate of \$18.00 is within the lower end of the range.

The Respondent also indicated that the equity comparables showed a range of \$18.00 to \$18.75 per square foot in predicted rent. On this basis the Respondent indicated that the City has applied a reasonable lease rate of \$18.00 to the subject property.

As to the land rate (IB) applicable to the excess space:

The Respondent refuted the land sales comparables presented by the Complainant as either multiple sales affecting the economy of scale or as in the case of the last sale listed, is a property with contamination issues.

The Respondent provided five land sales comparables, all with IB zoning. The adjusted sale price per square foot for these comparables ranged from \$17.99 per square foot to \$32.92 per square foot for the smallest property. The Respondent argued that since most of the lot sizes were close in size to the subject property, economy of scale may have little impact on the size issue. The rate applied in the assessment of \$18.90 is again within the lower end of the range.

As to a value based on a direct sales comparison of the subject to similar property

The municipality provided evidence in support of how the assessment was prepared relative to the income approach methodology only.

In Summary the Respondent asks the CARB to confirm the 2011 assessment of the subject property at \$1,933,500.

FINDINGS and REASONS FOR THE DECISION

The subject property, as the Parties have indicated, are usually owner operated facilities and a typical lease rate for the space are obtained by proxy leases - ones that are equivalent and with similar characteristics. The CARB places weight on the leases provided by the Respondent as they are related to the automobile service type space. Car washes are usually special purpose build and they do require their own set of design features. Therefore, it is not unreasonable to have the rents higher than for conventional warehouse or retail space within a shopping centre. The lease rate of \$18.00 per square foot will not be disturbed.

The value associated with the amount of agreed to excess space for IB lands at \$18.00 per square foot is supported by the indicated per unit rates, as set out in the Respondent's table of vacant land sales. The Respondent's sale indicated at \$32.92 per square foot for 4,064 square feet is

given little consideration. The remaining four are in a close range – \$17.99 to \$24.63 per square foot for parcels equivalent in size to the subject. The rate of \$18.90 per square foot will not be disturbed.

The CARB was advised that car wash property similar to the subject was assessed on the basis of the income approach methodology. From a review of the sales data provided for some comparable car washes it is noted that they are all selling as going concerns; complete with their car wash equipment. The typical site coverage has been established at 25% for the subject and the properties sold are all reasonably close to that percentage except one. The CARB notes that sale with site coverage of 5% yields an indicated unit rate of \$324.18 per square foot. The subject with 9% site coverage has an indicated assessment unit rate of \$320.65 per square foot.

DECISION

The assessment of roll number 9992613 **is confirmed at \$1,933,500.**

Dated this 23rd day of April, 2012, at the City of Edmonton, in the Province of Alberta.

Don Marchand, 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: 979869 ALBERTA LTD.

For MGB Administrative Use Only: *From D. H. Marchand*

Decision No.		Roll No. 9992613 Edmonton		
<u>Subject</u>	<u>Type</u>	<u>Property Sub type</u>	<u>Issue</u>	<u>Sub Issue</u>
CARB	(4) warehouse car wash	Warehouse single tenant	Income approach	Lease rate and excess land rate versus direct comparison