

**NOTICE OF DECISION      NO. 0098 91/12**

Altus Group  
780-10180 101 St NW  
Edmonton, AB T5J 3S4

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 July 25, 2012, respecting a complaint for:

<b>Roll Number</b>	<b>Municipal Address</b>	<b>Legal Description</b>	<b>Assessed Value</b>	<b>Assessment Type</b>	<b>Assessment Notice for:</b>
2209286	14505 124 Avenue NW	Plan: 7069KS Block: 5 Lot: 9	\$1,953,500	Annual New	2012

*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.*

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cc: NO 371 CATHEDRAL VENTURES LTD

## **Edmonton Composite Assessment Review Board**

**Citation: Altus Group v The City of Edmonton, 2012 ECARB 001378**

**Assessment Roll Number:** 2209286

**Municipal Address:** 14505 124 Avenue NW

**Assessment Year:** 2012

**Assessment Type:** Annual New

Between:

**Altus Group**

Complainant

and

**The City of Edmonton, Assessment and Taxation Branch**

Respondent

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### **DECISION OF**

**Robert Mowbrey, Presiding Officer**

**Howard Worrell, Board Member**

**George Zaharia, Board Member**

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### **Preliminary Matters**

[1] Upon questioning by the Presiding Officer, the parties indicated no objection to the composition of the Board. In addition, the Board members indicated no bias with regard to the matter at hand.

### **Background**

[2] The subject property is a medium warehouse located at 14505 124 Avenue NW. The building was constructed in 1966 and has an area of 18,656 square feet, with a site coverage of 24%. The property is assessed at \$1,953,500.

### **Issue(s)**

[3] What is the market value of the subject property?

## **Legislation**

[4] The *Municipal Government Act* reads:

### ***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**

[5] The Complainant's position is that the subject property is assessed in excess of market value. In support of this position, the Complainant presented a 62-page brief to the Board marked as Exhibit C-1.

[6] The Complainant advised the Board that the subject property was sold in December 2011 for \$1,700,000. Although the sale was post facto, the sale did occur within the assessment year and was validated by the City of Edmonton. The Complainant advised the Board that at the time of sale, the subject property needed roof repairs that would cost \$160,000 and that the expected completion of the repairs was April 2012 (Exhibit C-1, pages 38-41).

[7] The Complainant presented an income pro forma which indicated a value of \$1,672,500 (Exhibit C-1, page 8). The income pro forma utilized actual rents, a 3% vacancy allowance, a 2% structural allowance and a 7.25% market cap rate.

[8] The Complainant presented lease rate comparables to the Board that showed an average of \$7.90 per square foot and a median of \$7.75 per square foot (Exhibit C-1, pages 14-15).

[9] The Complainant provided third party reports to the Board which showed that the vacancy should be 3% and the capitalization rate should be 7.5% (Exhibit C-1, pages 16-35).

[10] The Complainant presented five sale comparables that were time adjusted using the City of Edmonton's time adjusted schedule from the date of sale to the valuation date. The time adjusted selling price per square foot of total building area ranged from \$63.90 to \$91.12, with an average of \$82.31 and a median of \$83.68. The sales comparables ranged from 9,624 to 32,694 square feet in total building area and the site coverage ranged from 19% to 33% (Exhibit C-1, page 9).

[11] During questioning by the Complainant, the Respondent stated that the Respondent's sale comparable #1 was purchased by a long-term tenant. The Complainant stated that this could not be considered a valid sale (Exhibit R-1, page 14).

[12] During questioning by the Complainant, the Complainant noted that the Respondent's sale comparable #2 was vacant at the time of sale and had a drive through truck wash which made the property a special purpose building and therefore not comparable to the subject property (Exhibit R-1, page 15).

[13] The Complainant advised the Board that the Respondent's sale comparable #3 was 13 years newer than the subject property and was not comparable to the subject property.

[14] The Complainant advised the Board that the Respondent's sale comparable #5 was 11 years newer and in a different market area, making the sale difficult to compare to the subject property (Exhibit R-1, page 18).

[15] In summation, the Complainant stated that the best indicator of market value was the sale of the subject property and therefore the Complainant requested that the Board reduce the 2012 assessment from \$1,953,500 to \$1,700,000.

### **Position of the Respondent**

[16] The Respondent provided the Board with a 35-page brief (Exhibit R-1) and a 44-page law and legislation brief (Exhibit R-2).

[17] The Respondent advised the Board that the subject property was assessed using the direct sales comparison model (Exhibit R-1, pages 27-32).

[18] The Respondent presented five sales comparables to the Board. The sales comparables ranged in building date from 1967 to 1981, and the site coverage ranged from 19% to 56%. The total building area ranged in size from 15,576 to 32,695 square feet. The time adjusted selling price for total building area ranged from \$89.41 to \$147.57 per square foot. The Respondent also advised the Board that none of the sales were post facto (Exhibit R-1, page 13).

[19] The Respondent challenged the Complainant's sales comparables with the following comments:

- a. The Complainant's sale #3 (11230-153 Street) is a non arms-length sale (Exhibit R-1 pages 19-21).
- b. The Complainant's sale #1 is the sale of the subject property and is considered a post facto sale. The Respondent stated that the market could have changed in the six months after the valuation date.

[20] During argument and summation, the Respondent advised the Board to put little weight on the income assessment methodology that the Complainant utilized. The Respondent stated that the Complainant's income methodology is not supported by any evidence or any meaningful analysis that could lead the Board to an accurate income approach on the subject property. In addition, the Respondent cited the lack of supporting evidence for the rental rate analysis.

[21] In addition, the Respondent noted that the third party reports utilized by the Complainant are overviews and contain general information with averages and ranges and therefore could not be relied on for mass appraisal analysis.

[22] In closing, the Respondent asked the Board to confirm the 2012 assessment of \$1,953,500.

### **Decision**

[23] The decision of the Board is to reduce the 2012 assessment of \$1,953,500 to \$1,860,000.

### **Reasons for the Decision**

[24] The Board believes that the best market indicator of a property is the sale of the subject property itself. The Board was persuaded by the sale of the subject property for \$1,700,000 in December 2011. The Board recognizes that the sale is post facto, but the sale occurred within the assessment year and the valuation assessment takes into account the condition as of December 2011.

[25] The Board believes that the market value of a property includes a roof that is not in need of repairs, so the Board added the \$160,000 roof repairs to the sale, bringing the value of the property up to \$1,860,000.

[26] The Board further recognizes the fact that the City of Edmonton's assessment department must follow the procedures set out in the *Alberta Assessment Quality Minister's Guidelines*. The median assessment ratio is 0.95% to 1.05%. The Board is aware that the reduction is less than the 5%, but the Board is not bound by the Guidelines.

[27] The Board is not persuaded by the Complainant's income approach for the assessment methodology for the subject property. While the Board finds the Complainant's income/capitalization rate methodology an acceptable method for appraisal, the Board finds that there were serious flaws in the methodology. The Board finds that the third party reports the Complainant relied upon are overly general in nature and include averages and ranges for a whole spectrum of properties. They also lack supporting evidence for the rental rate conclusion.

[28] The Board placed some weight on the Complainant's sales comparables, but dismissed sale #3, as it appears to be a non arms-length sale.

[29] The Board placed little weight on the Respondent's sales comparables as the sales comparables were generally a lot newer than the subject property. The Respondent's sale #1 (12819 144 Street) was sold to a long-term tenant. This sale is suspect as meeting the definition of a market sale, as the Board doubts that the subject property was listed on the open market.

### **Dissenting Opinion**

[30] There was no dissenting opinion.

Heard commencing July 25, 2012.

Dated this 27th day of July, 2012, at the City of Edmonton, Alberta.

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Robert Mowbrey, Presiding Officer

### **Appearances:**

Walid Melhem, Altus Group  
for the Complainant

Luis Delgado, Assessor, City of Edmonton  
for the Respondent