



ASSESSMENT REVIEW BOARD

Churchill Building
10019 103 Avenue
Edmonton AB T5J 0G9
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NOTICE OF DECISION NO. 0098 919/11

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 April 16, 2012, respecting a complaint for:

Roll Number	Municipal Address	Legal Description	Assessed Value	Assessment Type	Assessment Notice for:
10064564	6704 59 Street NW	Plan: 0625512 Block: 11 Lot: 6	\$19,529,500	Annual New	2011

Before:

Patricia Mowbrey, Presiding Officer
George Zaharia, Board Member
Howard Worrell, Board Member

Board Officer: Segun Kaffo

Persons Appearing on behalf of Complainant:

Walid Melhem

Persons Appearing on behalf of Respondent:

Marty Carpentier, Assessor
Tanya Smith, Law Branch

PROCEDURAL MATTERS

[1] Upon questioning by the Presiding Officer, the parties indicated no objection to the composition of the Board and Board members indicated no bias with respect to the file.

PRELIMINARY MATTERS

[2] There were no preliminary matters or recommendations.

BACKGROUND

[3] The subject property is a multi-building warehouse property located at 6704 - 59 Street NW in the Roper Industrial subdivision of southeast Edmonton. The subject property contains 2 warehouse buildings: building 1 – 71,400 square feet, and building 2 – 78,880 square feet, for a total building size of 145,280 square feet. The subject buildings were built in 2006 and are on a lot of 574,565 square feet with site coverage of 25%.

[4] The subject property has been assessed by the direct sales approach resulting in a 2011 assessment of \$19,529,500.

ISSUE(S)

[5] The issues are:

- i. Is the 2011 assessment of the subject property too high compared to sales of similar properties?
- ii. Is the assessment of the subject property too high compared to assessments of similar properties?

LEGISLATION

[6] The *Municipal Government Act, RSA 2000, c M-26* reads;

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

[7] The Complainant provided a 63-page brief (C-1) in which he stated that the objective of the hearing was to determine a fair and equitable assessment for the subject property using available market data.

[8] The position of the Complainant is that the 2011 assessment of the subject property at \$19,529,500 (\$134.43 per square foot) is too high compared to sales of similar properties. The Complainant argued that a review of recent market transactions indicated the value of the subject property is \$11,331,500 (\$78.00 per square foot) (C-1, pg. 7).

[9] In support of this argument, the Complainant submitted four sales comparables that sold between January 30, 2007 and February 2, 2010 for time-adjusted sales prices ranging from \$67.46 to \$84.55 per square foot resulting in an average of \$76.83 per square foot and a median of \$77.65 per square foot. The four sales comparables had an age range of 1996 to 2005 compared to the subject's 2006, the site coverage ranged from 35% to 56%, the site size ranged from 304,020 to 610,410 square feet, and the total building size ranged from 163,368 to 261,535 square feet (Exhibit C-1, page 8).

[10] These sales comparables supported the value of the subject property at \$11,331,500 (\$78.00 per square foot).

[11] To further support his argument for a reduced assessment, the Complainant submitted five equity comparables with assessments ranging from \$94.32 to \$111.25 per square foot resulting in an average of \$101.40 and a median of \$99.11 per square foot. The five equity comparables had an age range of 1998 to 2003 compared to the subject's 2006, the site coverage ranged from 21% to 34%, the site size ranged from 276,386 square feet to 716,231 square feet, and the total building size ranged from 93,196 to 187,231 square feet (Exhibit C-1, page 9).

[12] These equity comparables supported the value of the subject property at \$14,528,000 (\$100.00 per square foot).

[13] The Complainant stated that one of the salient features of real estate 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 per square foot tends to rise as the property size decreases. This is due to factors related to economies of scale and barrier to entry. A small land investment will have a lower overall barrier to entry (lower purchase price) and the investment would be within reach of more investors. For this reason, the seller will be able to command a higher price per square foot. Conversely, an investor who buys a larger piece of land or building will demand an economies-of-scale discount, which will lower the price per square foot (Exhibit C-1, page 8).

[14] By way of rebuttal (C-2), the Complainant questioned the 3 sales comparables used by the Respondent. He stated that one sale was of a mixed use property, one was a motivated purchaser, and one was a significantly smaller property than the subject and the purchaser had adjoining properties.

[15] The Complainant stated that the subject property is not at typical value as of July 1, 2010. If the direct sales approach were to be used, the subject property value would be \$11,331,500. If the assessments of similar properties were to be used, it would indicate an equitable value of \$14,528,000.

[16] The Complainant requested the Board to reduce the 2011 assessment of the subject property from \$19,529,500 to \$11,331,500 based upon the sales of similar properties.

POSITION OF THE RESPONDENT

[17] The Respondent provided the Board with an evidence package (R-1) and Law and Legislation Brief (R-2). The position of the Respondent was that sales and equity comparables supported the assessment of the subject property at \$19,529,500.

[18] The Respondent outlined for the Board in the Mass Appraisal section (R-1, pg 8), the Unit of Comparison and Site Coverage. It stated:

The most common unit of comparison for industrial properties is value per square foot of building area. When comparing properties on this basis, it is imperative that the site coverage be a key factor in the comparison.

Site coverage expresses the relationship between the main floor of the building and the amount of land associated with it. Properties with a larger amount of land in relation to the building footprint will see a higher value per square foot, as each square foot has to account for the additional value attributed to the larger land area.

[19] The Respondent submitted three sales comparables that sold between June 16, 2008 and April 19, 2010, for time-adjusted sales prices based on total floor space ranging from \$125.32 to \$147.66 per square foot, with the recommended assessment of the subject at \$134.43 per square foot falling within the range. The age range of the comparables was from 2001 to 2007 compared to the age of the subject at 2006. The site coverage ranged from 34% to 39% compared to the subject at 25%, the site size ranged from 166,228 to 862,603 square feet compared to the subject's 574,565 square foot site, and the total building size ranged from 74,801 to 291,285 square feet compared to the subject at 145,280 square feet (Exhibit R-1, page 21).

- i. Sales numbers 1 and 2 were one-building properties.
- ii. Sale number 3 was of an eleven-building property that included 7% retail space.
- iii. The position of the Respondent is that multiple building properties sell for more than single building properties because of the higher cost of construction, the greater flexibility of attracting different tenants with different space requirements, and lower rental risk.

[20] The Respondent provided two equity charts, the first including four one-building properties that had total floor space between 50,022 and 61,378 square feet, and the second chart of three multi-building properties exceeding 200,000 square feet. The subject at 142,800 square feet fell between these two ranges.

- i. The first chart included four equity comparables with assessments ranging from \$130.04 to \$137.91 per square foot compared to the assessment of the subject at \$134.43 per square foot. These four equity comparables were located in southeast Edmonton as is the subject, are in close proximity to the subject, are similar in age,

and three of the four comparables between 22% and 28% site coverage are similar to the subject's 25% site coverage (Exhibit R-1, page 26).

- ii. The second chart included three equity comparables with assessments ranging from \$122.69 to \$131.16 per square foot compared to the assessment of the subject at \$134.43 per square foot. These three equity comparables were all located in southeast Edmonton as is the subject, are in close proximity to the subject, and are similar in age (Exhibit R-1, page 27).

[21] The Respondent advised that the City had not used the Complainant's sales comparable number 4 in its analysis of sales in that it was part of a nation-wide portfolio sell-off (Exhibit R-1, page 28).

[22] The Respondent requested the Board to confirm the 2011 assessment of the subject property at \$19,529,500.

DECISION

[23] The decision of the Board is to confirm the 2011 assessment of the subject property at \$19,529,500.

REASONS FOR THE DECISION

[24] The Board placed less weight on the Complainant's four sales comparables for the following reasons:

- i. All four of the comparables had much higher site coverage at 35% to 56%, compared to the subject at 25%.
- ii. Only one of the comparables was multi-building property as is the subject.

[25] The Board placed less weight on the Complainant's five equity comparables for the following reasons:

- i. Four of the five comparables were one-building properties.
- ii. The one multi-building property is located a significant distance from the subject property, in a less developed neighbourhood.

[26] The Board placed lesser weight on the Respondent's three sales comparables for the following reasons:

- i. The comparables had higher site coverage at 34% to 39% compared to the subject at 25%.
- ii. Two of the comparables were one-building properties while the third comparable was a much larger 11-building property.

[27] The Board placed some weight on the Respondent's first equity chart of four comparables, all located in southeast Edmonton.

- i. All the comparables at 50,022 to 61,378 square feet are much smaller than the 148,800 square feet of the subject; however, they are considered large warehouses.
- ii. Two of the comparables had site coverage greater than the subject; one had less site coverage than the subject, while the other had the same site coverage as the subject. All are one-building properties with assessments ranging from \$130.04 to \$137.91 per square foot, supporting the \$134.43 per square foot assessment of the subject.

[28] The Board placed greatest weight on the Respondent's second equity chart of three comparables, all located in southeast Edmonton. These comparables are all multi-building properties similar to the subject, and with similar ages. The assessments of the comparables ranging from \$122.69 to \$131.16 per square foot, and when adjusted for the lower site coverage, support the \$134.43 per square foot assessment of the subject.

[29] The Board is persuaded that the 2011 assessment of the subject property at \$19,529,500 (\$ 134.43 per square foot) is fair and equitable.

DISSENTING OPINION AND REASONS

[30] There was no dissenting opinion.

Dated this 15th day of May, 2012, at the City of Edmonton, in the Province of Alberta.

Patricia 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: GPM MANAGED INVESTMENTS INC