



ASSESSMENT REVIEW BOARD

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NOTICE OF DECISION NO. 0098 924/11

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 17, 2012, respecting a complaint for:

Roll Number	Municipal Address	Legal Description	Assessed Value	Assessment Type	Assessment Notice for:
9546326	4703 68 Avenue NW	Plan: 7520797 Block: X	\$55,064,000	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 4703 68 Avenue NW in the Pylypow Industrial subdivision of southeast Edmonton. The subject property is comprised of 7 buildings with the following sizes: building 1 - 63,589 square feet; building 2 - 48,902 square feet; and building 3 - 120,470 square feet, building 4 - 208,841 square feet, building 5 - 62,235 square feet, building 6 - 67,200 square feet, and building 7 - 47,780 square feet for a total building size of 619,016 square feet. The subject buildings were built between 1976 and 2010, and are on a 1,697,565 square foot site, resulting in site coverage of 36%.

[4] The subject property has been assessed by the direct sales approach resulting in a 2011 assessment of \$55,371,000.

ISSUE(S)

[5] The issues are:

- 1) Is the 2011 assessment of the subject property too high compared to sales of similar properties?
- 2) 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 an 86-page brief (Exhibit 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 \$55,064,000 (\$89.63 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 \$41,783,500 (\$67.50 per square foot) (Exhibit C-1, page 7).

[9] In support of this argument, the Complainant submitted six sales comparables that sold between January 30, 2007 and April 27, 2010 for time-adjusted sales prices ranging from \$67.46 to \$84.55 per square foot, resulting in an average of \$77.09 and a median of \$75.11 per square foot. Sale comparable 1 in the Direct Sales Comparison Chart provided by the Complainant was corrected from a sale price of \$28,000,000 (\$69.41 per square foot) to \$31,252,423 (\$78.13 per square foot) to account for the total consideration at the time of sale. The six sales comparables had an age range of 1979 to 2007 compared to the subject's age range of 1976 to 2010, the site coverage ranged from 35% to 56%, the site size ranged from 114,037 to 399,987 square feet, and the total building size ranged from 114,037 to 399,767 square feet (Exhibit C-1, page 8).

[10] These sales comparables supported the value of the subject property at \$41,783,500 (\$67.50 per square foot) (Exhibit C-1, page 7).

[11] The Complainant further argued that the 2011 assessment of the subject property at \$55,064,000 (\$89.63 per square foot) is inequitable compared to similar properties. The Complainant stated that a review of assessments of similar properties indicated the value of the subject property is \$43,331,000 (\$70.00 per square foot). In support of this argument, the Complainant submitted thirteen equity comparables with assessments ranging from \$50.25 to \$74.82 per square foot, resulting in an average of \$65.99 and a median of \$70.48 per square foot. The ages of the comparables ranged from 1977 to 2008. The site size of the comparables ranged from 500,646 to 1,700,643 square feet and the site coverage ranged from 36% to 52%. The building sizes ranged from 258,739 to 751,738 square feet (Exhibit C-1, page 9).

[12] These equity comparables supported the value of the subject property at \$43,331,000 (\$70.00 per square foot) (Exhibit C-1, page 7).

[13] By way of rebuttal (Exhibit C-2), the Complainant critiqued the 10 sales comparables used by the Respondent. He stated that eight sales were of significantly smaller properties, one was a mixed use property, and one was a motivated sale (Exhibit C-2, page 2).

[14] In the Rebuttal, 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-2, page 17).

[15] The Complainant argued that the City has essentially assessed each building of the subject separately and added the values to determine the value of the subject property. By doing so, the City has missed any economies of scale that would have occurred in the market place (Exhibit C-2, page 17).

[16] 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 \$41,783,500. If the equity assessments of similar properties were to be used, it would indicate an equitable value of \$43,331,000.

[17] The Complainant requested the Board to reduce the 2011 assessment of the subject property from \$55,064,000 to \$41,783,500 based upon the sales of similar properties.

POSITION OF THE RESPONDENT

[18] The Respondent provided the Board with a 50-page evidence package (Exhibit R-1), a 42-page Law and Legislation brief (Exhibit R-2) and 3 decisions of the ARB and CARB (Exhibits R-3, R-4, and R-5). The Respondent's position was that the subject property's 2011 assessment of \$55,064,000 was correct and equitable.

[19] The Respondent provided an overview of the "sales comparison model".

- i. He stated that sales occurring between January 2007 and June 2010 were used in model development and testing. Through the review of sales in the market place, values were determined through the mass appraisal process and applied to the inventory to derive the most probable selling price.
- ii. Sales were validated by conducting site inspections and interviews, and reviewing title transfers, validation questionnaires, and four data collection sources.
- iii. Factors found to affect value in the warehouse inventory were: location, lot size, age and condition of the building, total main floor space developed second floor space and mezzanine area
- iv. Industrial warehouse properties are assessed using the Industrial Warehouse model, which adjusts for attributes that impact market value, in order to arrive at a typical market value for properties in this class.
- v. The resulting assessments were tested, met provincial quality standards, and the City of Edmonton has met all governing legislation and regulations. Exhibit R-1, pages 8 and 9).

[20] The Respondent submitted 10 sales comparables broken into five groups: group 1) four older one-building mid-sized properties, group 2) two older multi-building entry level larger properties, group 3) two newer one-building entry level properties, group 4) one newer one-

building large property, and group 5) one newer multi-building large property (Exhibit R-1, page 28). Supporting sales data sheets of these properties were provided (Exhibit R-1, pages 29 to 38). The comparable properties had:

- i. An age range from 1957 to 2007
- ii. Site coverage from 34% to 46%
- iii. Total building area from 41,554 to 291,285 square feet
- iv. Time-adjusted sales prices from \$90.34 to \$138.30 per square foot

The Respondent suggested sale comparable number 10 was a good comparable since it was a sale of an eleven-building property compared to the seven-building subject property.

[21] The Respondent provided two equity charts, the first including nineteen one-building properties that had total floor space between 44,162 and 193,200 square feet, and the second chart of seven multi-building properties that had total floor space between 224,935 and 562,620 square feet. The subject at 619,017 square feet exceeded this second category.

- i. The first chart included nineteen equity comparables of one-building properties, with the assessments ranging from \$81.25 to \$125.07 per square, compared to the subject's assessment at \$88.95 per square foot. The Respondent grouped the nineteen comparables into three groups: group 1) six older one-building mid-sized properties, group 2) six one-building large properties, and group 3) seven newer one-building mid-sized properties. All of the equity comparables were located in southeast Edmonton as is the subject. The comparables age range of 1974 to 2009 was similar to the subject's 1976 to 2010 age range, and the site coverage differed from the subject going from 22% to 52% compared to the subject's 36% (Exhibit R-1, page 39).
- ii. The second chart included seven equity comparables of multi-building properties with assessments ranging from \$91.90 to \$138.10 per square foot compared to the subject's assessment at \$88.95 per square foot. The building count of the comparables was from 2 to 11 compared to the subject property that had 7 buildings. These seven equity comparables were located in southeast Edmonton as is the subject, are in close proximity to the subject, and are similar in age range, and with site coverage of 31% to 39% is similar to the site coverage of the subject's 36% (Exhibit R-1, page 40).

[22] The Respondent advised that the City had not used the Complainant's sales comparable number 6 in its analysis of sales in that it was part of a nation-wide portfolio sell-off (Exhibit R-1, page 41).

[23] The Respondent questioned the use of the Complainant's equity comparables number 5 and 9 since both had major portions of mezzanine space which is assessed at a lower value (Exhibit R-1, pages 42 and 43).

[24] The Respondent provided three previous CARB/ARB decisions to support its positions regarding exclusion of rebuttal evidence and multi-building versus one-building properties.

- i. In a decision of the Assessment Review Board dated May 28, 2010, it was ruled that the purpose of rebuttal information is to address matters raised by the Respondent (Exhibit R-3, page 2).
- ii. In a decision of the Composite Assessment Review Board at a hearing held February 27, 2012, it was ruled that additional information that the Complainant was attempting to enter was not allowed, in that it should reasonably have been expected to be an issue at the time of filing the complaint (Exhibit R-4, page 3).
- iii. In a decision of the Composite Assessment Review Board at a hearing held February 21, 2012, the Board was not persuaded by the sales comparables of the Complainant since four of the five comparables involved single-building properties whereas the subject was a multi-building property (Exhibit R-5, page 3).

[25] The Respondent objected to the inclusion of pages 17 to 35 of the Complainant's rebuttal document marked as Exhibit C-2, suggesting that it was new evidence.

[26] The Respondent requested the Board to confirm the 2012 assessment of the subject property at \$55,064,000.

DECISION

[27] The decision of the Board is to confirm the 2011 assessment of the subject property at \$55,064,000.

REASONS FOR THE DECISION

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

- i. Two of the comparables had much higher site coverage at 54% and 56% compared to the subject's at 36%.
- ii. Only two of the six comparables were multi-building properties as is the subject.
- iii. Four of the six comparable properties were located in the northwest as compared to the southeast where the subject is located.

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

- i. Eleven of the thirteen comparable properties were located in the northwest as compared to the southeast where the subject is located.

- ii. Only one property had site coverage equal the subject at 36%, and a further three were within 5%. The balance of comparable properties had site coverage from 47% to 52%, considerably in excess of the 36% of the subject.
- iii. Seven of the comparables were one-building properties, while only six were multi-building properties as is the subject.

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

- i. Only three of the sales comparables were multi-building properties as the subject.
- ii. The largest building of the comparables at 291,285 square feet is less than one-half the size of the subject, while eight of the comparables are less than 100,000 square feet in size.

[31] The Board placed less weight on the Respondent's first equity chart of 19 comparables for the following reasons;

- i. All the comparables were one-building properties that at between 46,405 to 203,100 square feet in size, are much smaller than the subject at 619,017 square feet.
- ii. Eight of the comparables had site coverage within 5% of the subject while eleven were as high as 16% more, and as low as 14% less than the 36% site coverage of the subject.
- iii. The largest building of the comparables at 193,200 square feet is less than one-third the size of the subject, while fourteen of the comparables were less than 100,000 square feet in size.

[32] The Board placed greatest weight on the Respondent's second equity chart of seven comparables, all located in southeast Edmonton.

- i. The seven comparables were all multi-building properties ranging from two to eleven buildings compared to the subject's seven.
- ii. Site coverage was similar ranging from 31% to 39% compared to the subject at 36%.
- iii. The assessments of the comparables ranging from \$91.90 to \$138.10 per square foot supported the \$88.95 per square foot assessment of the subject.

- iv. The Board found comparable number 7 as the most convincing with the identical 36% site coverage, and the building size at 562,620 square feet being very similar to the subject at 619,017 square feet. This comparable also addressed the Complainant's concern that the Respondent had not properly addressed the issue of economies of scale due to the large size of the subject.

[33] The Board upheld the Respondent's objection regarding the inclusion of pages 17 to 35 of Exhibit C-2 in part, by allowing the inclusion of page 17, but excluding the rest.

[34] The Board is persuaded that the assessment of the subject property at \$55,064,000 is fair and equitable.

DISSENTING OPINION AND REASONS

[35] There was no dissenting opinion.

Dated this 16th 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: ASSOCIATED DEVELOPERS LTD.