

Edmonton Composite Assessment Review Board

Citation: CVG v The City of Edmonton, 2012 ECARB 1817

Assessment Roll Number: 4297545
Municipal Address: 12727 St. Albert Trail NW
Assessment Year: 2012
Assessment Type: Annual New

Between:

CVG

Complainant

and

The City of Edmonton, Assessment and Taxation Branch

Respondent

DECISION OF
Robert Mowbrey, Presiding Officer
Brian Frost, Board Member
Petra Hagemann, Board Member

Preliminary Matters

[1] Upon questioning by the Presiding Officer, each of the parties stated that they had no objection to the composition of the Board. In addition, each Board Member indicated that they had no bias with respect to this matter.

Background

[2] The subject property is an office/warehouse complex located in the McArthur Industrial area of Edmonton. The lot is 416,439 square feet (9.559 acres) and contains five buildings. Four of the buildings are valued on the cost approach and have a total depreciated cost for 2012 assessment purposes of \$305,636. The main building is valued on the direct sales assessment methodology, and the building was constructed in 1984 and consists of 23,340 square feet. The total 2012 assessment is \$6,457,500.

Issue

[3] Is the land use allocation correct?

[4] Is excess land value and site configuration correct?

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

Legislation

[6] The Municipal Government Act reads:

Municipal Government Act, RSA 2000, c M-26

s 1(1)(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;

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 filed this complaint on the basis that the subject assessment of \$6,457,500 is in excess of market value. In support of this position, the Complainant submitted a 37 page evidence package marked as Exhibit C-1, a 13 page rebuttal package marked Exhibit C-2, a 9 page rebuttal package marked Exhibit C-3 and a 19 page rebuttal package marked Exhibit C-4.

[8] The Complainant provided the Board with property details, maps and photographs of the subject property (Exhibit C-1, pages 8 – 11 and pages 34 - 37).

[9] The Complainant explained to the Board that the property had been assessed based on a hybrid valuation, the main 23,340 sf building on the direct sales comparison approach and the four storage buildings of 25,920 sf, 4,928 sf, 4,000 sf and 3,600 sf on the cost approach to value. The Complainant explained that the mixing of the direct sales and cost approaches was foreign to common appraisal practice.

[10] The Complainant provided evidence (Exhibit C-1, page 6) that the 2012 assessment of \$6,457,500 represented an 83% increase over the 2011 assessment of \$3,528,500. The Complainant confirmed the 2011 assessment was reduced after discussion with the assessor. The Complainant further advised that it was unable to come to terms with the assessor for the 2012 assessment.

[11] The Complainant advised the Board that the site is zoned AGI as opposed to the more common IB, IM, and IH evident with industrial use warehouse properties. In its Exhibit C-4, pages 7 – 19, the Complainant provided excerpts from the Edmonton Zoning Bylaw 12800 which explained the differences in terms of allowable development for each of those zoning classifications. The Complainant stated that development restrictions under the current AGI zoning reduced its value as compared to IB, IM and IH sites. In support the Complainant in its Exhibit C-1 page 3 presented five land sales comparables to the Board, two zoned IB which sold for \$583,830 and \$590,845 per acre, two zoned IM which sold for \$552,724 and \$589,737 per acre and one zoned AGI which sold for \$474,394, suggesting that AGI sites carry a market value \$100,000 per acre less than industrially zoned sites. The subject site is inferior due to its larger size and its long and narrow configuration. Further, the Complainant advised of an assessment of an AGI zoned site of 21.561 acres of \$358,019 per acre. The Complainant concluded that the subject site would most properly be valued at \$400,000 per acre.

[12] The Complainant presented eight warehouse sales comparables to the Board. The sales comparables were all warehouses which ranged in size from 2,620 sf to 84,832 sf, and with site coverages ranging from 5.0% to 15%. The price per sf ranged from \$48.86 to \$230.62. The Complainant stated that all sales enjoyed zoning superior to the subject yet sold for substantially less than the subject's assessed \$267.67 per sf. The Complainant further stated that based on the sales, the assessment should be \$200.00 per sf or \$4,668,000.

[13] The Complainant offered, as an alternative, a secondary evaluation technique wherein the main building was valued based on a typical stand alone warehouse assuming 35% site coverage. Six sales comparables were presented (Exhibit C-1, page 2) which indicated a range of \$82.45 to \$99.48. The Complainant concluded that \$95.00 per sf would be appropriate for the main structure, or \$2,217,300. The Complainant did not have issue with the Respondent's valuation of the secondary buildings of \$305,636. The excess land (calculated at the overall land size of 9.559 acres less 3.9 acres as an allocation for typical 35% site coverage for the main building) was calculated at \$2,268,000 (\$400,000 per acre). The sum of the three was \$4,790,000 thereby providing strong support for the \$200.00 per sf conclusion.

[14] In rebuttal of the Respondent's critique of its sales, the Complainant provided in its Exhibit C-2, advice from The Network that all but one of the sales was fully arms length as was stated in its presentation of Exhibit C-1.

[15] In its rebuttal Exhibit C-3 the Complainant provided evidence that the Respondent's sales comparables were dissimilar to the subject property, had superior land use classifications and are situated on more typically regular sites. Further, the Complainant noted the Respondent's sale #1 was incorrect as to building size and site coverage which resulted in a corrected time adjusted sales price of \$177.40 as opposed to the Respondent's \$391.60 per sf (Exhibit C-3, page 2). As well, the Complainant stated the Respondent's sale #3 is recorded at 11% (Exhibit C-2. Page 8), not 8% as stated in the Respondent's sales chart.

[16] Accordingly, the Complainant requested that the subject assessment should be reduced to the sum of the value based on the unit value and the excess land value, or \$4,700,000.

Position of the Respondent

[17] The Respondent presented the Board with a 48 page assessment brief marked as Exhibit R-1. In addition, the Respondent presented the Board with a 44 page law and legislation package marked as Exhibit R-2 and a rebuttal document (Exhibit R-3).

[18] The Respondent explained to the Board that the subject assessment and similar assessments were prepared using the direct comparison assessment methodology. The Respondent stated that sales occurring from January 2008 through June 2011 were used in the model development and testing (Exhibit R-1 page 8).

[19] The Respondent noted factors found to affect value in the warehouse inventory were the location of the property, the size of the lot, the age and condition of the buildings, the total area of the main floor (per building), the amount of finished area on the main floor and the developed upper area (per building) (Exhibit R-1 page 8).

[20] The Respondent 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. Properties with a larger amount of land in relation to the building footprint display a higher value per square foot, to account for the additional land value attributable to each unit of the building size (Exhibit R-1 page 9).

[21] The Board heard the Respondent is legislatively obligated to use mass appraisal methodology for valuing individual properties. The Respondent employed the sales comparison approach for the 2012 annual assessment of all warehouse properties in Edmonton. (Exhibit R-1, page 7).

[22] The Respondent provided the Board with photographs and maps detailing the subject property and its location (Exhibit R-1, pages 13-19).

[23] As regard to zoning, the Respondent stated the effective zoning of the subject property was IM whereas the actual zoning was AGI. Assessment is based on effective zoning which is determined by the actual use of the property as of December 31, 2011.

[24] To support the City of Edmonton's assessment of the subject property, the Respondent provided the Board with three sales comparables. The sales comparables ranged in year built from 1995 to 2003; the total building area ranged in size from 10,220 sf to 62,887 sf; the site coverage ranged from 5% to 8% and all sales comparables were in average condition. The time adjusted selling price per square foot, based on total building area, ranged from \$232.16 to \$391.60 (Exhibit R-1, page 25). Only the sale located at 5708 51 Ave was located on a major road similar to the subject.

[25] The Respondent presented six equity comparables to the Board located in northwest Edmonton (Exhibit R-1, page 41). These properties were similar to the subject in condition, site coverage, total floor area and all but two in lot size. They were between nine and 23 years newer than the subject and yet their average assessment of \$312.76 per sf illustrated that the assessment of the subject at \$276.68 per sf is equitable.

[26] Several issues were addressed during the Respondent's cross-examination of the Complainant's evidence (Exhibit R-1, pages 29-33). The Respondent asked the Board to put less weight on the following sales comparables for the reasons listed below:

- The Respondent informed the Board sales comparable #1 (3333-68 Ave SE) was a non-arms length sale between related parties. This sale included shares of the property and business. The property was inspected and all building assessments were reduced in January 2009 prior to the sale.
- The sale (#4) located at 17703-114 Ave was also a non-arms length sale between related parties and was part of a multi parcel sale.
- The sale (#5) located at 11543-154 Street was based on a 3 year old purchase option at a reduced price and was also part of multi parcel sale including four properties.
- The Complainant's sale #7 was also a multi parcel sale which included properties from other municipalities.

[27] During rebuttal, the Respondent submitted a copy of the Land Title document for the Complainant's sale #8 (Exhibit R-3, pages 1-6) indicating that the property located at 1810-66 Ave was transferred for \$1.00 from Harcross Chemicals Canada Inc to 1457361 Alberta Ltd suggesting that this may also have been a non-arms length sale.

[28] The Respondent explained to the Board that the reason the 2012 assessment had increased by 83% over last year's assessment was due to re-evaluating the excess land of the subject property.

[29] To illustrate that the assessment of the subject is correct, the Respondent provided the Board with five land sales (Exhibit R-1, page 34). These three parcels of land were similar to the subject in zoning and size. Three were located in northwest Edmonton on major roads similar to the subject, the other two in the southeast of the City. Their time adjusted sale prices ranged from \$521,585 to \$656,096 for an average of \$581,423 per acre.

[30] The Respondent stated that by applying the \$581,423 to the 9.56 acres of the subject, it produced a land value of \$5,558,404. Adding the \$305,636 assessed value of the four cost buildings to the land value, would leave a value of only \$593,460 for the main building. The Respondent suggested this is further support of the assessment of the subject.

[31] The Respondent requested the Board to confirm the 2012 assessment of \$6,457,500.

Decision

[32] The decision of the Board confirms the 2012 assessment of \$6,457,500.

Reasons for the Decision

[33] The Board reviewed the evidence and oral testimony from the Complainant and reviewed the evidence and oral testimony from the Respondent and found the evidence and oral testimony from the Respondent to be more compelling.

[34] The Board notes there is no dispute between the Complainant and the Respondent regarding the assessment on the four buildings assessed on the cost approach.

[35] The Board has a high degree of empathy regarding the Complainant's 83% increase in assessment year over year. The Board recognizes this is a huge increase; however, both the Municipal Government Board and the Assessment Review Board have dealt with this argument on numerous occasions. In each case, the respective Boards have held that each year's assessment is independent of previous assessments, and the mere fact of a large percentage increase without more evidence, is not enough information to draw the conclusion that an assessment is too high.

[36] The Board does not disagree with the Complainant's assertion regarding the zoning of the subject property and the fact that AGI zoning sites carry a market value substantially less than the industrial zoned sites. However, the only evidence given to the Board regarding the AGI zoning; the same as the subject property; was a parcel of land sold to the City of Edmonton. The land was rural standard and was not in a desirable location.

[37] The Board did not put a lot of weight on the Complainant's sales comparables. The Complainant's sales comparables had a number of issues that make the comparability suspect. Some of the issues were, but not limited to - a three year old purchase option agreement; one sale appears to have been sold for \$1.00, but the Board believes there were other considerations related party sales; one sale was part of a multi-parcel sale; and one sale included a building that was one-tenth the size of the subject property. Therefore, the Board put little weight on the Complainant's sales comparables.

[38] The Board put some weight on the Respondent's equity comparables. Although the equity comparables were newer than the subject property, the equity comparables were not on a major arterial roadway as was the subject property. The average assessment per square foot of total building area of \$312.76 supports the assessment.

[39] The Board notes that the median of the Respondent's three sales comparables of \$297.16 per square foot of total building area support the 2012 assessment. The Board notes that one of the Respondent's sales comparables is in a different quadrant of the City than the subject property. If the Board discounted this sale, the average selling price per square foot of total building area would even be higher.

[40] The onus is on the Complainant to provide sufficient and compelling evidence for the Board to form an opinion as to the incorrectness of the assessment. The Complainant failed to do so.

Dissenting Opinion

[41] There was no dissenting opinion.

Heard November 20, 2012.

Dated this 22nd day of November, 2012, at the City of Edmonton, Alberta.

Robert Mowbrey,
Presiding Officer

Appearances:

Peter Smith

for the Complainant

Joel Schmaus, Assessor

Marty Carpentier, Assessor

for the Respondent

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.