

Edmonton Composite Assessment Review Board

Citation: CVG v The City of Edmonton, 2012 ECARB 1862

Assessment Roll Number: 10016741
Municipal Address: 16820 129 Avenue NW
Assessment Year: 2012
Assessment Type: Annual New

Between:

CVG

Complainant

and

The City of Edmonton, Assessment and Taxation Branch

Respondent

DECISION OF
Warren Garten, Presiding Officer
Brian Hetherington, Board Member
James Wall, Board Member

Preliminary Matters

[1] Upon questioning by the Presiding Officer, the parties did not object to the composition of the Board. In addition, the Board Members expressed no bias with regards to this matter.

Background

[2] The subject property was built in 2001 and is assessed as an industrial warehouse building located in the Kinokamau Plains Industrial neighborhood. The building has a total area of 27,737 square feet (sq. ft.) with a main floor area of 25,249 square feet. The building consists of 2,488 sq. ft. of main floor office space plus an additional 2,488 sq. ft. of finished mezzanine area. The subject further contains 5,300 sq. ft. of material shelter built in 2001. The subject's main building and land has been assessed for 2012 utilizing the direct sales comparison approach to value based on sales occurring between January 2008 and June 2011. The material shelter has been assessed using the cost approach to valuation which includes a nominal value for the building plus land value as determined by the assessment guidelines.

Issue(s)

[3] Is the Market Value based on the Direct Comparison Approach to Value correct for the main building and land?

[4] Is the Market Value based on the Cost Approach to Value correct for the material shelter?

[5] Is the current assessment fair and equitable when compared to other similar properties?

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 presented evidence (C-1) and argument for the Board’s review and consideration.

[8] The Complainant argued that the subject is over assessed based on the Direct Comparison Approach supported by the equity comparisons.

[9] The Complainant provided four sales comparable properties (C-1, p. 1) for the Board’s review ranging from a time adjusted selling price of \$56.09 per square foot to \$117.48 per square foot. The current assessments applied to these comparable properties ranged from \$93.18 to \$128.47 per square foot. The Complainant argued that an assessment of \$110 per square foot plus \$106,000 for the material shelter would be fair and equitable.

[10] The Complainant further pointed out that all comparable properties presented were in the northwest sector of the City of Edmonton and were close in size and site coverage.

[11] The Complainant further explained the calculation of the cost building (material shelter) on C-1 page 2. This represented the complainant’s estimate of value based on the cost approach at \$20.00 per square foot.

[12] The Complainant suggested that the time-adjusted selling price (TASP) and the assessment (ASMT) of comparables number 1 and 4 were most similar to the subject and requested the Board apply the most weight to these properties. These figures are \$87.44 and \$128.47 respectively for number 1, and \$96.31 and \$94.44 for number four.

[13] Upon questioning by the Respondent, it was determined that sales number 2, 3 and 4 were vacant at the time of the sale and sale number one has a current below market lease in place.

[14] Upon further questioning by the Board the Complainant did not agree that vacancies or below market rates would dramatically affect the value of the property sales.

[15] In summary, the Complainant reinforced the position that the time adjusted selling prices of his comparable properties (C-1, p. 1) and their associated 2012 assessments provides the evidence of an over-assessment to the subject property.

[16] The Complainant requested the 2012 assessment of the subject property be reduced to \$3,157,000 based on \$110 per square foot for the main building (gross area 27,737 square feet) plus \$106,000 for the material shelter.

Position of the Respondent

[17] The Respondent presented evidence (R-1) and argument for the Board's review and consideration.

[18] The Respondent outlined the mass appraisal methodology for valuing properties (R-1, pages 4 to 8) and stressed that the "factors found to affect value in the industrial warehouse inventory were: the location of the property, the size of the lot, age of the building, total area of the main floor, amount of finished area on the main floor as well as developed upper area" (R-1, page 15).

[19] The Respondent indicated that the direct sales comparison approach to valuation was the best indication of value for industrial buildings such as the subject property.

[20] The Respondent further stressed that the material shelter located on the site was considered of nominal value and as a result was valued using the cost approach which included the land under the subject material shelter as per the City of Edmonton assessment guidelines.

[21] The Respondent presented five sales comparables (R-1, page 19) in support of the 2012 assessment of the subject property. Two comparables were from the Winterburn area and three comparables were from Southeast Edmonton. These had a TASP range from \$144.74 per square foot to \$197.88 per square foot.

[22] The Respondent further provided four equity comparables as evidence (R-1, page 25). These assessments in the northwest industrial sector ranged from \$152.96 per square foot to \$160.35 per square foot with an average of \$156.06 per square foot compared to the subject at \$143.37 per square foot.

[23] Further on R-1 pages 26 and 27, the Respondent provided evidence that the Complainant's sales comparable #1 was a duress sale and #2 was a non-arm's length sale. The Respondent requested that the Board ignore both properties as they were non-*bona fide* sales.

[24] Upon questioning, the Respondent agreed that the City's sales comparables were not located in the immediate area of the subject; however the services and site coverage were similar to the subject property. The Respondent requested that they be considered by the Board as

acceptable sales comparables. Further, it was agreed that the subject had rural storm servicing only.

[25] Upon the Board's questioning, the Respondent agreed that the material shelter was assessed on the cost approach to value and that the amount used for the improvement was "minimal", however he did not have the exact number available.

[26] The Respondent further agreed that the 28 foot clear ceiling height of the subject is taken into consideration with the age of the building, since it is typical that the newer the building the higher the clear height.

Rebuttal

[27] Upon rebuttal the Complainant presented evidence (C-2) and argument for the Board's review and consideration.

[28] The Complainant provided assessment details for all City of Edmonton comparables used on R-1 page 19. The assessments (C-2, page 1) ranged from \$117.79 to \$169.69 per square foot. The Complainant stated that these assessments further support his request for a reduction.

Decision

[29] It is the Board's decision to reduce the assessment from \$3,976,500 to \$3,157,000 based on \$110.00 per square foot on the Gross Area of the main building plus \$106,000 for the material shelter.

Reasons for the Decision

[30] In reaching its decision, the Board considered all argument and evidence.

[31] The Board agreed that the lack of storm sewer service in the subject location (Northwest Edmonton) has minor impact on the property value.

[32] The Board placed little weight on the Respondent's sales comparables from the Winterburn area or Southeast Edmonton as they were outside of the subject's market area and, as such, not considered strong comparables.

[33] The Board reviewed all comparables provided by both the Complainant and Respondent and decided that the most weight could be placed on two sales provided by the Complainant. These are:

- i. 10439-176 Street: This property was included as evidence by the Complainant and is in the northwest sector of the City. The size/site coverage is similar (32,339 Square Feet/24%) as compared to the subject (27,737 Square Feet/22%).
- ii. 16440-130 Avenue: This property was included as evidence in the Complainant's submission. It is in the immediate area of the subject with similar services and size/site coverage (30,370 Square Feet/31%) compared to the subject (27,737 Square Feet/22%).

iii. Average of two assessments: \$106.90

[34] The 2012 Assessments of these selected comparables further supported the position:

i. 10439-176 Street assessment: \$120.15

ii. 16440-130 Avenue assessment: \$94.44

iii. Average 2012 assessment (equity comparison): \$107.29

[35] The Board found the use of two site coverage amounts in the Respondent's evidence package R-1 page 15 (18.5488%) and page 19 (22%). Resulting questioning and cost information provided by the Respondent via e-mail (October 19, 2012) alerted the Board to an anomaly in the City's model in calculating the value of industrial sites with nominal or out-buildings.

[36] The Board found duplication in the City's valuation model. R-1 page 15 shows two buildings on a site totaling 136,117 square feet. The footprint of the main building (25,248 square feet) was used for the calculation of the site coverage (18.5488%). The material shed was not included. This site coverage is used in the calculation of value based on the direct sales comparison approach to value. The land component used in this calculation is 81.4512%. It should be noted that this percentage includes the land under the material shed.

[37] The Board further found that the value of the material shelter (5,300 square feet) was calculated based on the Cost Approach to value which by definition includes a depreciated value for the improvement plus the land value. In this case it represents 3.8937% of the total land of the site. The information subsequently received from the Respondent indicated a value of \$45,437 was used in the assessment of the material shelter.

[38] Since the Board does not consider this shelter assessment as "minimal" value, the Board has no alternative but to conclude that the value includes land under the material shelter.

[39] The Board found that this resulting overlapping of approaches to value in the City's model have an effect of duplicating the value of the land under the material shelter.

[40] Since the Complainant requested the change in value of the material shelter to \$106,000, the Board agreed that this value (which includes the land) should be added to the overall value of the property.

[41] It was determined by the Board that the revised assessment of \$110.00 per square foot on the total finished area of 27,736 square feet is a fair and equitable value and has excluded the land under the material shelter. This land was included in line 39 above.

Dissenting Opinion

[42] There was no dissenting opinion by any Board Member

Heard commencing October 15, 2012.

Dated this 9 day of November, 2012, at the City of Edmonton, Alberta.

Warren Garten, Presiding Officer

Appearances:

Tom Janzen
for the Complainant

Marty Carpentier
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.