

Edmonton Composite Assessment Review Board

Citation: John C. Manning c/o CVVG v The City of Edmonton, 2012 ECARB 2176

Assessment Roll Number: 10010553

Municipal Address: 11208 189 STREET NW

Assessment Year: 2012

Assessment Type: Annual New

Between:

CVG Canadian Valuation Group, Agent

Complainant

and

The City of Edmonton, Assessment and Taxation Branch

Respondent

DECISION OF

Don Marchand, Presiding Officer

John Braim, Board Member

Lillian Lundgren, Board Member

Preliminary Matters

- [1] When asked by the Presiding Officer, the parties indicated no objection to the composition of the Board. The Board members indicated that they had no bias in the matter before them.

Background

- [2] The subject property comprises a single tenant industrial office-warehouse property located in the north-west industrial district of White. The building was constructed in 2003 and extends to a gross main floor area of 292,045 sq ft (square feet) including 5,841 sq ft of main floor office accommodation. It is located on 13.10 acres of IM zoned land resulting in a site coverage ratio (SCR) of 51%. The current assessment was produced by the Direct Sales Comparison Approach to value and equates to a unit rate of \$64.93/ sq ft of total building area. The assessment under complaint is \$18,962,500

Issue(s)

- [3] Is the assessment of the subject property at market value?
- [4] Is the assessment of the subject property equitable with other similar properties in the area?

Legislation

[5] The Board's jurisdiction is within the ***Municipal Government Act, RSA 2000, c M-26*** [MGA]:

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.

[6] The Board gave consideration to the requirements of an assessment, contained in the MGA:

289(2) Each assessment must reflect

a) the characteristics and physical condition of the property on December 31 of the year prior to the year in which a tax is imposed under Part 10 in respect of the property, and

b) the valuation and other standards set out in the regulations for that property.

[7] The valuation standard is set out within the ***Matters Relating to Assessment and Taxation Regulation, Alta. Reg. 220/2004*** [MRAT]:

s 2 An assessment of property based on market value

a) must be prepared using mass appraisal,

b) must be an estimate of the value of the fee simple estate in the property, and

c) must reflect typical market conditions for properties similar to that property

[8] Market value is defined within the MGA as

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;

Position of the Complainant

- [9] The Complainant filed this complaint on the basis that the subject property had been assessed at a rate higher than market value and that the assessed rate was also higher than the assessed rate of comparable properties in the area.
- [10] The Complainant provided the Board with a chart that included five sales of single and multi-tenant warehouse properties located in the north-west quadrant of the city that had sold between May 2010 and April 2011. The comparable sales ranged in age from 1965 to 1979; in size from 22,323 sq ft to 84,832 sq ft and had site coverage ratios (SCRs) that ranged from 9% to 58%. The sales were all time adjusted to valuation day and produced sale values that ranged from \$48.86 per sq ft to \$61.67 per sq ft whereas the subject property has been assessed at \$64.93/ sq ft of total building area.
- [11] The same chart also included three equity comparables two of which were located in the northwest industrial district and one in the southeast industrial district. The equity comparables ranged in age from 1977 to 2001; the size from 134,559 sq ft to 378,728 sq ft and the SCRs from 41% to 55%. The assessments on the three buildings equated to unit rates ranging from \$50.53/ sq ft to \$65.90/ sq ft.
- [12] In concluding his initial presentation the Complainant informed the Board that equity comparables #6, #7 and #8 were the strongest indicators of value from the total of eight sales and assessments supplied as they were most similar in terms of SCR. With most weight placed on these three comparables, but also having regard to the other five sales, a reduction in the assessed rate to \$60.00/ sq ft would be reasonable as a result of which the assessment would be reduced to \$17,522,700.
- [13] In response to questioning as to how a unit rate of \$60.00/ sq ft had been concluded from a range of \$48.86/ sq ft to \$61.67, the complainant stated that additional adjustments were required to his time adjusted sale prices to compensate for the differences in SCR, age and size when comparing each sale to the subject. For example a 50% SCR was slightly better than a 55% SCR and a downward adjustment should be made to the unit rate; a smaller property would require a downward adjustment to it when comparing it to a larger building as the economies of scale came into play; conversely an older building would require an upward adjustment to the rate when comparing it to a newer building.
- [14] In rebuttal the Complainant provided a chart of the Respondent's five sale comparables which also included the assessments, to demonstrate that the subject had been assessed inequitably and that the assessed rates of the Respondent's sales were all below, to substantially below, the time adjusted sale price rates.
- [15] In summation the Complainant stated that the 9100 sq ft of mezzanine offices, in the common sale (2103 -64 avenue) used by both parties, would only contribute a small amount to the total value whereas the SCR was much lower and a downward adjustment would be required to the Respondent's sale price of \$67.66/ sq ft.

Position of the Respondent

- [16] In support of the assessment the Respondent provided a chart of five sales of industrial warehouse properties that were considered to be comparable to the subject. The sales ranged in age from 1977 to 2007; in size from 118,800 sq ft to 399,987 sq ft and had site coverage ratios that ranged from 34% to 54%. The sales were time adjusted to valuation day and produced unit values that ranged from \$67.66 per sq ft to \$125.70 per sq ft which supports the assessment of \$64.93 per sq ft.
- [17] As additional support for the assessed value, the Respondent also provided the Board with an equity chart to demonstrate that the subject property had been assessed equitably with other similar properties. The five properties in the chart were all located in the northwest industrial district and were reasonably similar in age, condition and SCR as the subject. The gross main floor area of the equity comparables ranged from 159,663 sq ft to 244,126 sq ft each with main floor offices and three of the five also had mezzanine offices. The SCRs ranged from 45% to 58% and the assessed values equated to unit rates ranging from \$60.16/ sq ft to \$79.46/ sq ft which support the assessment of the subject property.
- [18] The Respondent also provided rebuttal information with respect to three of the Complainant's sales. The Complainant's sale #2 at 11543 – 154 Street comprised 4 properties and the sale price was based on a 3 year old purchase option at a reduced price. The Complainant's sale #3 at 14345 – 123 Avenue had been purchased at a discounted price. Discussion with the purchaser had revealed that the property required major roof repairs, at the time of purchase, estimated to cost \$850,000. The purchaser was aware of this problem and had discounted the price as a result. The Complainant's sale #5 at 14308 – 118 Avenue had long term vacancies, the rents were below market and the property was sold under financial duress. As a result of this information the three sales could not be considered good indicators of value.
- [19] In response to questioning on two sales the Respondent stated that the southeast district had higher prices than the northwest but did not know by how much. The Respondent also stated the economies of scale had less effect when comparing properties over 100,000 sq ft than when comparing properties of 5,000 sq ft and 50,000 sq ft and consequently only minor adjustments was required when comparing properties of different size providing they were all over 100,000 sq ft.
- [20] In summation the Respondent stated that the Complainant's sale comparable #1 -#5 and equity comparables #6 & #8 were not comparable in age. Comparable #7 had 9,100 sq ft of mezzanine offices which the subject does not have and is located in the south-east industrial district which was reported to be superior. Furthermore, the Respondent informed the Board that the \$65.90/ ft assessment rate was already reduced because of the inclusion of the mezzanine area in the total square footage.

Decision

- [21] The 2012 assessment is confirmed at \$18,962,500.

Reasons for the Decision

- [22] The Board gives weight to the Respondent to two sales (#4 & #5). They are reasonably similar in age and size to the subject property, although a downward adjustment would be required for location to sale #4. The three other sales are smaller than the subject and would require adjusting down for size to account for the economies of scale; sale #1 would require an additional downward adjustment for SCR and sale #3 would require an additional adjustment downward for location. Although no specific adjustment factors were provided by either party, the Board considers the resulting unit rates would still support the assessment as they are currently much higher, to substantially higher, than the assessed value.
- [23] The Board findings with respect to the sales evidence were also reinforced by the equity comparables provided by the Respondent as they were all of similar age; condition and SCRs. Although they were all smaller than the subject property the net result of any downward adjustments for size would, on the balance of probabilities, also support the assessment.
- [24] The Board placed less weight on the sales evidence of the Complainant as the buildings were all substantially older than the subject building and the Board is aware that sizable upward adjustments would have to be made to the unit rates to compensate. No evidence was supplied to enable the Board to make such an adjustment. Furthermore, the validity of three of the Complainant's sales was brought into question by the Respondent as a result of their research on these sales. The same rationale, with respect to the age factor, applies to two of the Complainant's equity comparables.
- [25] The Complainant's comparable #7 is the common property that was used by the both parties; the Complainant as an equity comparable @ \$65.90/ sq ft and the Respondent as a sale comparable at \$67.66/ sq ft; it is of similar age and reasonably similar size. However, having a lower SCR than the subject, both of these unit rates would, according to each of parties, require a downward adjustment. Again, although no specific evidence, or factors, were supplied to the Board, on the balance of probabilities the adjustment the Board finds such an adjustment would be relatively small and the resulting unit rates would be reasonably close to the assessed rate which, in turn provides additional support to the assessed value.

Heard commencing October 31, 2012.

Dated this 29th day of November, 2012, at the City of Edmonton, Alberta.

Don Marchand, Presiding Officer

Appearances:

Tom Janzen
for the Complainant

Cam Ashmore
Mary-Alice Nagy
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.