

## **Edmonton Composite Assessment Review Board**

**Citation: Altus Group v The City of Edmonton, 2013 ECARB 01226**

**Assessment Roll Number:** 9509662  
**Municipal Address:** 6703 82 AVENUE NW  
**Assessment Year:** 2013  
**Assessment Type:** Annual New

Between:

**Altus Group**

Complainant

and

**The City of Edmonton, Assessment and Taxation Branch**

Respondent

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### **DECISION OF**

**Willard Hughes, Presiding Officer**

**James Wall, Board Member**

**Randy Townsend, Board Member**

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### **Procedural Matters**

[1] No procedural matters were presented to the Board by either party. There is no bias from any members of the Board.

### **Preliminary Matters**

[2] The Respondent presented to the Board a correction to revise the current assessment of \$2,193,500 to \$2,159,000 on the basis that both parties had agreed that one of the buildings on the subject site should have been classified as "Fair" rather than "Average" condition. The Complainant accepted this reduction but stated that they still believe that, even with the reduction, the assessment is still too high. The Complainant asked that the hearing proceed.

### **Background**

[3] The subject property is a 42,734 sq. ft. parcel of industrial land located at 6703 – 82 Ave NW in the Gainer Industrial subdivision. On the parcel are four industrial style buildings built between 1959 and 1963, according to City records. Total building area is 14,356 sq.ft. , which results in 33.6% site coverage. Total office space within the four buildings is 838 sq. ft., or approximately 210 sq.ft. per building. The buildings are not owner occupied. The property has good ingress and egress on 82<sup>nd</sup> Ave and is located just to the north of the Sherwood Park freeway. The 2013 assessment is \$2,193,500 or \$152.80 per sq. ft. of floor area.

### **Issue(s)**

- [4] What is the best method of determining market value for the subject property – the Income Approach or Direct Sales Comparison?
- [5] Is the current assessment for the subject property higher than indicated market value?

### **Legislation**

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

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 provided the Board with the current “rent roll” and details of the leases (exhibit C-1, pages 18 to 21) for the subject property. Triple net rents for the four buildings range from \$3.10 per sq.ft. to \$7.50 per sq. ft.

[8] The Complainant provided six “lease rent comparables” (exhibit C-1, page 22) to the Board indicating a range of rents from \$7.00 to \$8.25 per sq.ft. All of the comparables are within close proximity to the subject. Three of the comparables are on arterial roadways, while three are on non-arterial roadways. The average rent is \$7.75 per sq. ft. and the median is \$7.83 per sq.ft.

[9] The Complainant provided (exhibit C-1, page 12) a pro-forma summary for the subject, determined from their analysis of lease rent comparables, that indicates a valuation for the subject of \$1,563,000, which equates to \$108.87 per sq. ft..

[10] The Complainant provided information (exhibit C-1, pages 23 to 38) produced by third party companies regarding market reports as to vacancy rates, typical rent rates and typical cap rates for industrial properties in the Edmonton area. The Complainant used this information in their analysis to determine the cap rate etc. for the subject property.

[11] The Complainant provided four sales comparison properties (exhibit C-1, page 9) that they determined were similar to the subject. Time-adjusted selling prices, per sq.ft. of main floor space, ranged from \$132.02 to \$168.56 per sq.ft., with an average of \$152.74 and a median of

\$155.20 per sq. ft. The subject is currently assessed at \$152.80 per sq. ft. In the opinion of the Complainant the best comparable is their sale #3, located at 8545 Coronet Road, which sold for \$132.02 per sq. ft. (time-adjusted) in August 2008. Based on this comparable, the Complainant is requesting that the indicated market value for the subject should be \$1,909,000 or \$133.00 per sq. ft.

[12] As one final indicator that the subject assessment is too high, the Complainant provided a list of six "equity comparables" for the Board's attention (exhibit C-1, page 10). This chart indicates assessments ranging from \$103.56 to \$142.78 per sq. ft. This is in comparison to the subject property at \$152.80 per sq.ft. Using equity as the comparison method, the Complainant has requested that a rate of \$122.00 per sq. ft. be considered as equitable by the Board for an indicated market value of \$1,751,000.

[13] In the Complainant's opinion, the best method for assessing the subject property remains the Income Approach and therefore, requests the assessment be reduced from \$2,193,500 to \$1,563,000.

### **Position of the Respondent**

[14] The Respondent entered into evidence a chart with seven sales comparables (exhibit R-1 page 33). One of the sales comparables, the Respondent's #1, is the same as the Complainant's sale #4. Four of the Respondent's sales comparables are multi-building sites, while the other three are single building sites. The time-adjusted selling prices range from \$120.10 to \$196.80 per sq.ft. The average price is \$155.60 per sq. ft., which supports the subject assessment at \$152.80 per sq.ft. The median is \$153.24 per sq.ft. Information on each sales comparable was presented (exhibit R-1, pages 35 to 40).

[15] The Respondent also provided an "equity comparables" chart (exhibit R-1, page 41) of five comparables in response to the Complainant's "equity comparables". The average is \$149.90 and the median is \$143.00 per sq. ft. In the Respondent's opinion their comparables are similar buildings to the subject buildings as well as being located in more equitable locations than the Complainant's comparables. The building and land parcel details for both the Respondent's and the Complainant's equity comparables are shown in exhibit R-1, pages 42 to 52.

[16] The Respondent in their brief (exhibit R-1, pages 25 to 31) presented highlighted text from "The Appraisal of Real Estate" published by the Appraisal Institute of Canada, which indicates "the use of the income capitalization method can be unreliable when valuating industrial properties, in particular when the properties are owner occupied". It was pointed out that extensive research must be carried out to determine the appropriate cap rate and rental rates if using "income" to value property. The Respondent pointed out to the Board that the Complainant had only used generic third party cap rates and rental rates from around the City in their analysis.

[17] The Respondent, in their presentation, included a number of previous Board orders to support their position (see exhibit R-1, pages 53 to 63) that they have properly assessed the subject property.

## **Rebuttal**

[18] A rebuttal document (C-2) was provided to the Board, which counters the Respondents provision of information regarding use of the "Direct Sales Method" as the best method to determine a market value for the subject. In this document (exhibit C-2, page 4) the Complainant has attempted to discount five of the Respondent's seven sales comparables as not really being that comparable to the subject.

[19] Page 5 of exhibit C-2 combines the Respondent's two remaining sales comparables and the Complainant's five sales into one chart for easy comparison. From these combined sales the average time-adjusted sale price is \$146.33 and the median is \$152.86.

[20] The comparison information presented for both the Income Approach and the equity comparables confirms that the subject property is over assessed.

[21] In conclusion the Complainant is asking the Board to primarily use the valuation determined using the "Income Approach", which is \$1,563,000, as the revised 2013 assessment for the subject property.

## **Decision**

[22] It is the decision of the Board to reduce the assessment of the subject property from \$2,193,500 to \$2,159,000, or \$150.43 per sq. ft., as per the recommended reduction presented by the Respondent at the opening of this hearing.

## **Reasons for the Decision**

[23] In the Board's opinion, the Respondent presented a stronger case than the complainant regarding the use of the "direct sales" approach to valuation. The Board was not swayed by the Complainant's argument suggesting that the "income approach" was the preferred method for the subject property. Since all comparable properties were assessed in like manner it would be inappropriate for the Board to upset this equity by using a different method of valuation for the subject property only.

[24] The Board reviewed the equity comparables of both parties to see if any conclusions could be drawn from this information. Although there are a number of similarities in both parties' comparables there are also enough differences to make a true comparison difficult. For example, the subject property has four separate buildings on the parcel, whereas the Complainant's equity comparables are mostly one building sites ( comparables #1, #3, #4 and #5) and a couple of two building parcels. Therefore, the Board only used the equity comparables as an interesting comparison without placing much weight on this information.


[25] From the Complainant's own documentation, as shown in exhibit C-2, page 5, the average (\$146.33) and median (\$152.86) support the revised assessment of \$150.43 per sq. ft. It is the opinion of the Board that the revised assessment of \$2,159,000 is fair and equitable.

**Dissenting Opinion**

[26] There was no dissenting opinion by the Board members.

Heard commencing July 18, 2013.

Dated this 13<sup>th</sup> day of August, 2013, at the City of Edmonton, Alberta.

  
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Willard Hughes, Presiding Officer

**Appearances:**

Adam Greenough  
for the Complainant

Joel Schmaus, Assessor  
Nancy Zong, Assessor, observing  
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.*