

Edmonton Composite Assessment Review Board

Citation: AEC International Inc. v The City of Edmonton, 2013 ECARB 01368

Assessment Roll Number: 3034626

Municipal Address: 17707 - 118 Avenue NW

Assessment Year: 2013

Assessment Type: Annual New

Between:

AEC International Inc.

Complainant

The City of Edmonton, Assessment and Taxation Branch

Respondent

DECISION OF

Steven Kashuba, Presiding Officer

Martha Miller, Board Member

Mary Sheldon, Board Member

Procedural Matters

[1] The parties to the hearing did not indicate any objection to the composition of the Board. As well, no bias or conflict of interest with respect to this matter was reported by the members of the Board.

Preliminary Matters

[2] There were no preliminary matters.

Background

[3] The subject is a large, single tenant warehouse built in 1985 and is located in neighborhood group #17 in Edmonton. There is one building on site which is in average condition. The total main floor area is 239,941 square feet of which the main floor office occupies 7,620 square feet. There is no upper office or mezzanine space. The site coverage of the subject is 33%. The subject has been valued by the municipality by the direct sales method and the resulting assessment for 2013 is \$16,368,000.

Issue(s)

[4] The Complainant had attached a number of issues to the complaint form filed. However, for the purposes of the merit hearing, there are two issues to be decided:

- Do the sales of comparable properties support the current assessment of the subject?

- Do the assessments of comparable properties support the current assessment of the subject?

Legislation

[5] 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

[6] The Complainant presented an assessment brief (Exhibit C-1, 12 pages) in support of their position that the 2013 assessment of the subject is excessive.

[7] The Complainant submitted that the subject’s current assessment is in excess of market value. As well, the Complainant argued that the subject is assessed inequitably in comparison with similar properties.

Issue #1: Do the sales of comparable properties support the subject’s assessment?

[8] The Complainant presented a chart of the details of the sales and assessments of three properties which, in the opinion of the Complainant, reflect characteristics similar to those found in the subject property (Exhibit C-1, page 8).

[9] The Complainant advised that they would be removing #2 from consideration in their comparable chart as incorrect information for that property had been provided. Instead, the Complainant would proceed with comparables #1 and #3.

[10] The Complainant noted that the time-adjusted sale price per square foot of comparable #1 is \$70 and that the time-adjusted sale price per square foot of comparable #3 is \$88.

[11] The Complainant compared the time-adjusted sale prices per square foot of the two comparables with the \$68 assessment per square foot for the subject. The Complainant acknowledged that the assessment per square foot of the subject is supported by the market values of the two comparables.

[12] In response to questions, the Complainant acknowledged that the site coverage of the subject is lower than the site coverage of the two comparables. However, no adjustment is necessary for this attribute since the excess land on the subject is virtually landlocked and cannot be used for any sort of development.

[13] The Complainant advised that although their market evidence supported the 2013 assessment of the subject, there was a disconnect when the assessments of those two market comparables are examined.

Issue #2: Do the assessments of comparable properties support the subject's assessment?

[14] The Complainant used the identical chart of comparable properties referenced under Issue #1 to demonstrate that the subject was inequitably assessed (Exhibit C-1, page 8). As discussed above, the Complainant advised that they would be removing comparable #2 and would be relying on comparables #1 and #3.

[15] The Complainant pointed out that the current assessment per square foot of comparable #1 is \$57 and the current assessment per square foot of comparable #3 is \$66.

[16] The Complainant argued that this evidence demonstrated that the assessment of the subject at \$68 per square foot is inequitable and excessive when compared with the assessments of similar properties.

[17] The Complainant noted that comparable #3 is located very close to the subject and is assessed at \$2 per square foot lower than the subject. However, that comparable is much smaller than the subject. According to the economies of scale, the larger subject should be assessed at a lower rate than the comparable.

[18] The Complainant argued that since the sales evidence demonstrated that the per square foot assessment of the subject is less than the time-adjusted sale price per square foot value of either of the two comparables, it follows that the square foot of the assessment of the subject property should be less than the per square foot assessment of either comparable.

[19] The Complainant submitted that the fact that the subject's assessment per square foot is more than the assessment per square foot of either comparable, shows that the subject is over-assessed and that values for the purposes of assessment are poorly predicted by the Respondent's industrial model.

[20] The Complainant drew the attention of the Board to the fact that the assessment to sale ratio (ASR) of the two comparables is 0.81 and 0.74 respectively. The Complainant argued that this demonstrates that the comparable properties are under-assessed and, for the purposes of equity, the subject ought to be similarly assessed.

[21] The Complainant argued that, based on the evidence of the two comparables, it would be equitable to assess the subject between \$57 and \$66 per square foot. The Complainant selected a figure of \$61.50 per square foot which would result in a 2013 assessment for the subject of \$14,756,500. The Complainant requested that the Board reduce the assessment of the subject to this amount.

Complainant's Rebuttal

[22] The Complainant presented a rebuttal document (Exhibit C-2, 18 pages) in response to the Respondent's evidence.

[23] The Complainant argued that two of the Respondent's sales comparables are much newer than the subject and therefore of little assistance in establishing value. The remaining two sales comparables presented by the Respondent are the same ones presented by the Complainant.

[24] With respect to the equity comparables presented by the Respondent, the Complainant noted that one comparable is much older and one much newer. The Complainant also submitted that the Respondent's equity comparables are not helpful in establishing market value because these properties had not sold at arm's length whereas the equity and sales comparables presented by the Complainant had been consummated at arm's length.

[25] With respect to their sales and equity comparable #1, the Complainant provided verbal calculations in response to the Respondent's corrections to lot area and site coverage.

[26] The Complainant, in their rebuttal, repeated their request that the Board reduce the assessment of the subject from \$16,368,000 to \$14,756,500.

Position of the Respondent

[27] The Respondent presented an assessment brief in support of the 2013 assessment for the subject property (Exhibit R-1, 68 pages).

[28] The Respondent submitted to the Board the 2013 assessment was fair and equitable in accordance with mass appraisal process, consistent with legislation and regulation, and asked the Board to confirm the 2013 assessment.

Issue # 1 Do the sales of comparable properties support the subject's assessment?

[29] The Board was provided with four sales comparables by the Respondent, two of which were selected in common with the Complainant. All comparables are single building properties and in average condition, similar to subject. Site coverages ranged from 39 to 46% for the comparables, while the site coverage of the subject is 33%. The two sales in common had an effective age of 1977 and 1978, respectively, while the effective age of the subject is 1985. The remaining two sales were more recent, with an effective age of construction of 2001 and 2007, respectively (Exhibit R-1, page 18).

[30] The Respondent's two sales-in-common have a total building area of 136,000 and 328,000 square feet, compared to the subject of 239,000 square feet. Comparable #3, with an area of 328,000 square feet, has upper floor office floor area of 47,000 square feet. The assessment per square foot of comparable #3 is \$67 and \$88 per square foot for comparable #2.

[31] The sales comparables presented by the Complainant were reviewed by the Respondent who noted that there were errors as regards lot area and site coverage for comparable #1. The Respondent provided evidence as to the correct lot area and site coverage for this comparable.

Issue #2: Do the assessments of comparable properties support the subject's assessment?

[32] The Respondent provided three equity comparables for the Board's consideration, none in common with the Complainant. All three are in the same industrial neighborhood as subject, with one building on site of average condition, similar to the subject.

[33] The effective ages of the Respondent's equity comparables range from 1977 to 1997, with the subject at 1985. The total main floor area for the comparables range from 152,242 to 202,446 square feet, with the subject at 239,941 square feet. Site coverages range from 27% to 32%, with the subject at 33%. The attributes of total main floor area, site coverage and effective age of building construction are the major factors which affect the value of a warehouse. These characteristics found in the three equity comparables are similar to those found in the subject property.

[34] The Respondent drew the Board's attention to the assessment per square foot of the comparables which range from \$67 to \$84 per square foot. This supports the \$68 per square foot assessment for the subject.

[35] In summary, the Respondent noted that both parties agree that the sales presented by both parties support the assessment of the subject.

[36] With respect to the issue of equity, the Respondent submitted that the Complainant provided only two comparables and noted that incorrect information had been presented with respect to one of these comparables. In contrast, the Respondent submitted that their three equity comparables fully supported the assessment.

[37] In conclusion, the Respondent requested that the Board confirm the 2013 assessment of \$16,368,000.

Decision

[38] It is the decision of the Board to confirm the assessment of the subject property for 2013 at \$16,368,000.

Reasons for the Decision

[39] The Board is persuaded by two sales comparables presented in common by both parties. These, in the opinion of the Board, demonstrate that the 2013 assessment of the subject property is correct. The Board notes that both parties agree that market evidence supports the assessment.

[40] With respect to the issue of equity, the Board is persuaded by the evidence presented by the Respondent. The verbal calculations submitted by the Complainant during the hearing with respect to their equity comparable #1, while attempting to incorporate the correct data as supplied by the Respondent in support of their position are, in the opinion of the Board, of little value. The Complainant's remaining one equity comparable actually supports the assessment.

[41] The Respondent's equity comparables are taken from the same neighborhood and reflect the characteristics of condition and site coverage found in the subject property. Comparable #3, with a total building area of 215,454 square feet, is similar to the subject's area of 239,941

square feet. The lot area of comparable #3 of 740,325 square feet is similar to the subject's lot area of 730,027 square feet.

[42] The Board placed little weight on the Complainant's argument that the low assessment to sales ratio (ASR) for their comparable #3 showed it was under assessed and therefore the assessment of subject should also be reduced.

[43] As a result of the foregoing reasons, the Board concludes that the assessment of the subject property is fair and correct and should not be disturbed.

Dissenting Opinion

There was no dissenting opinion.

Heard commencing September 16, 2013.

Dated this 26th day of September, 2013, at the City of Edmonton, Alberta.



Steven Kashuba, Presiding Officer

Appearances:

John Smiley
for the Complainant

Luis Delgado, 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.