

Edmonton Composite Assessment Review Board

Citation: AEC International v The City of Edmonton, 2013 ECARB 01371

Assessment Roll Number: 10011579
Municipal Address: 11754 - 170 Street NW
Assessment Year: 2013
Assessment Type: Annual New

Between:

AEC International

Complainant

and

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] Upon questioning by the Presiding Officer the parties before the Board indicated no objection to the Board's composition. In addition, the Board Members indicated no bias with respect to this file.

Preliminary Matters

[2] There were no preliminary matters.

Background

[3] The subject property is a large warehouse composed of two buildings located in the Armstrong Industrial Neighbourhood on a lot size of 730,380 square feet. The total main floor area of building #1 is 142,429 square feet and the total main floor area of building #2 is 132,296 square feet for a total of 274,725 square feet. The effective year of construction for building #1 is 1985 and 2006 for building #2. The current assessment is \$24,798,500.

Issue(s)

[4] Is the assessment correct when using sales comparables?

[5] Is the assessment correct when considering the assessment of similar properties?

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 299(1) An assessed person may ask the municipality, in the manner required by the municipality, to let the assessed person see or receive sufficient information to show how the assessor prepared the assessment of that person’s property.

(1.1) For the purposes of subsection (1), “sufficient information” in respect of a person’s property must include

- (a) all documents, records and other information in respect of that property that the assessor has in the assessor’s possession or under the assessor’s control,
- (b) the key factors, components and variables of the valuation model applied in preparing the assessment of the property, and
- (c) any other information prescribed or otherwise described in the regulations.

(2) The municipality must, in accordance with the regulations, comply with a request under subsection (1).

s. 300(1) An assessed person may ask the municipality, in the manner required by the municipality, to let the assessed person see or receive a summary of the assessment of any assessed property in the municipality.

(1.1) For the purposes of subsection (1), a summary of an assessment must include the following information that the assessor has in the assessor’s possession or under the assessor’s control:

- (a) a description of the parcel of land and any improvements, to identify the type and use of the property;
- (b) the size of the parcel of land;
- (c) the age and size or measurement of any improvements;
- (d) the key factors, components and variables of the valuation model applied in preparing the assessment of the property;
- (e) any other information prescribed or otherwise described in the regulations.

(2) The municipality must, in accordance with the regulations, comply with a request under subsection (1) if it is satisfied that necessary confidentiality will not be breached.

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 advised the Board that they had made a s. 299 request of the City. In response, they received from the City the account detail report for the property. However, in reviewing the report, the Complainant was not able to ascertain the individual building values applied by the City.

[8] In support of their position, and in addressing the two issues, the Complainant presented two sets of sales comparables. Table #1, Exhibit C-1, page 11, presented the sale of five older warehouses constructed from 1967 to 1979. These sales were presented as comparable sales for warehouse #1, which was constructed in 1985.

[9] Table #2, Exhibit C-1, page 11, presented the sale of five newer warehouses constructed from 1996 to 2009. These sales were presented as comparable sales for warehouse #2, which was constructed in 2006.

[10] However, during the initial presentation of the merits of the complaint, the Board notes that the Complainant requested that only sales #2 and #3 in Table #1 should be considered. Sales comparisons #1, #3, and #4 should be disregarded in that these exhibited characteristics not found in the subject property and therefore could not be used as comparable sales.

[11] The Complainant, in addressing the current assessments of the remaining two comparable sales in Table #1 (sale #2 and #3), submitted that the assessments per square foot are \$78 and \$66, well below the current assessment of the subject property set at \$90 per square foot. As well, the time-adjusted sale price per square foot was \$85 and \$88. Again, well below the assessment value of \$90 per square foot for the subject property.

[12] The Complainant then presented five sales comparables for warehouse #2, constructed in 2006, and which has a building floor area of 132,296 square feet. The sales comparables range 100,018 square feet to 399,767 square feet in building area, the assessments per square foot range from \$55 to \$110, and the time-adjusted sales values range from \$88 to \$140 per square foot. However, the Complainant requested that sales comparable number #3 located at 15250 – 121A Avenue be removed from consideration because it is considered a special purpose building and reflects an absence of comparability to the subject property.

[13] In comparing the assessments of newer buildings (Table #2, Exhibit C-1, page 11), the Complainant submitted that two out of four comparables reflected assessments per square foot

well below that of the subject property. As well, two out of the four time-adjusted sales values per square foot fell below the assessment value of \$90 per square foot.

[14] In their Rebuttal Document (Exhibit C-2, page 4) and in reference to the foregoing, the Complainant once again requested that the Board ignore sales numbers 1, 4, and 5 (Exhibit C-1, page 11, table #1) and only consider sales #2 and 3 as presented in the Rebuttal Document.

[15] The Complainant confirmed (Exhibit C-2, page 4), that sales comparison #4 is a re-sale of sales comparison #1.

[16] The median assessment per square foot of the four Consolidated Sales representing the Pre-1990 Construction is \$79 and the median time-adjusted sale price per square foot is \$83. The assessment of the subject property is \$90 per square foot (Exhibit C-2, page 4).

[17] In their Rebuttal Document (Exhibit C-2, page 4, Consolidated Sales, Post-1990 Construction), the Complainant submitted that sales numbers 2, 3, 4, and 5, taken from Exhibit C-1, page 11, and one from the Respondent's sales comparables (Exhibit R-1, page 20, sales comparable #1) are reflective of the characteristics of the subject's warehouse #2 and are being used to challenge the assessment of the subject property.

[18] The assessments of these five comparables range from \$75 to \$110 per square foot (the mean is \$86 per square foot) and the time-adjusted sales values range from \$75 to \$140 per square foot (the mean is \$90 per square foot).

[19] When considering the mean assessment per square foot values for the pre-1990 warehouses and the post-1990 warehouses, it is the submission of the Complainant that adjustments must be made for the effective year of construction, site coverage, number of buildings on the property, and building area.

[20] By way of summary, the Complainant concluded that an assessment of \$78.23 per square foot for the total floor area of the two subject warehouses of 274,725 square feet results in the requested assessment amount of \$21,491,500.

Position of the Respondent

[21] In support of the assessment, the Respondent presented ten sales comparables (Exhibit R-1, page 20). The subject property has two warehouses, while five of the sales comparables have one warehouse, three have two warehouses, and one has eleven buildings on site.

[22] In reflecting upon the ten sales comparables, the Respondent asked that little weight be placed upon sales comparable #4 because it had eleven buildings on site.

[23] Of the comparables which had two warehouses on site, comparable #2 (Exhibit R-1, page 20) was assessed at \$80.30 per square foot (the time-adjusted sales value per square foot is \$76.74), comparable #7 at \$78.20 per square foot (the time-adjusted sales value per square foot is \$84.52), and comparable #8 at \$80.30 per square foot (the time-adjusted value per square foot is \$80.95). The subject property is currently assessed at \$90 per square foot.

[24] Of the sales comparables which had only one warehouse on site (comparable sales numbers 1, 3, 5, 6, 8, and 9), the time-adjusted sales comparable values per square foot ranged from \$74.50 to \$140.09 (respectively \$74.50, \$90.20, \$88.23, \$88.05, \$140.09, and \$134.14).

[25] The assessment to sales ratios for the ten sales ranged from 0.751 to 1.046 with a mean of 0.95. This translates to a mean assessment value of \$84.00 per square of total main floor area.

[26] In conclusion, it is the submission of the Respondent that the Board should consider the sales value per square foot of comparable properties even though some may have one building on site while others may have two or more.

[27] The subject property, which has two warehouses on site (a total of 274,725 square feet), is correctly assessed at \$90 per square foot. As a result, it is the position of the Respondent that the subject property is correctly assessed at \$24,798,500.

Decision

[28] It is the decision of the Board to reduce the assessment of the subject property for 2013 from \$24,798,500 to \$23,763,000.

Reasons for the Decision

[29] The Board is persuaded by the Complainant's argument that the assessment of the subject property must have regard for the fact that one warehouse was constructed in 1985, while the second warehouse on the property was constructed in 2006. In other words, the market value of the warehouse constructed in 1985 is necessarily less than is the market value of the warehouse constructed in 2006.

[30] Since the market value of a warehouse is related to the effective year of construction, the Board places considerable weight upon the Complainant's two tables charting the time-adjusted sales values per square foot of warehouses constructed pre-1990 (Exhibit C-2, page 4) and those constructed post-1990, and which exhibit similar characteristics.

[31] The market value of warehouses constructed pre-1990 reflect, on average, a median assessment value of \$79 per square foot and a time-adjusted sales value of \$83 per square foot. In the case of warehouses constructed post-1990, the Board notes that the median assessment value per square foot is \$86 and the median time-adjusted sales value per square foot is \$90.

[32] Taking into consideration the foregoing, the Board concludes that the subject property, consisting of two warehouses built in 1985 and 2006, should be assessed at a value per square foot which falls between \$83 and \$90 per square foot. By applying a rate of \$86.50 per square foot to 274,725 square feet of warehouse floor space, an assessment value of \$23,763,000 is derived.

[33] In reaching its decision, the Board also considered the sales comparables presented by the Respondent. The two sales comparables which had two warehouses on site, similar to that of the subject property, the sales values per square foot fell between \$76.74 and \$84.52. These values would indicate that the subject property is over-assessed at \$90 per square foot.

[34] The Board then considered the remaining eight sales comparisons presented by the Respondent. Sale #4, which had eleven buildings on site, by agreement of both parties, was disregarded. The current assessment of the remaining six sales comparables ranged from \$75.04 to \$109.97 per square foot.

[35] However, in four of these cases, the assessment value per square foot was considerably below the current assessment value of \$90 per square foot. This is particularly true in each case in which the effective year of construction of a warehouse was pre-1990.

[36] In only two out of ten sales comparables did the assessment per square foot of the Respondent's sales comparables exceed the assessment of the subject property of \$90 per square foot. However, these sales comparables, in the opinion of the Board were questionable.

[37] In the case of the assessment of \$109.97 per square foot (as presented above), the Board notes that the assessment to sales ratio (ASR) is 0.785. This brings into question the reliance the Board can place upon the Respondent's selection of sales comparables (Exhibit R-1, page 20) where the resultant ASRs range from a high of 1.007 to a low 0.751. In other words, the Board places less weight upon those sales comparables which reflect an ASR either well above or well below the desirable ASR of 1.00.

[38] Further to this, the Board notes that in six out of the ten sales comparables presented by the Respondent, the time-adjusted sales value per square foot fall below the current assessment of \$90 per square foot (Exhibit R-1, page 20, column 18, TASP). Only two of the sales comparables reflect a time-adjusted sales value above \$90. However, in these particular cases the ASR is 0.785 and 0.751, and the warehouses, constructed in 2007 and 2008, are relatively new. This brings into question the amount of weight the Board is able to place upon these two sales comparables.


[39] Having regard for the foregoing, the Board concludes that a reduction in the assessment amount is fully justified.

Dissenting Opinion

[40] There is 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.