

Edmonton Composite Assessment Review Board

Citation: Altus Group v The City of Edmonton, 2013 ECARB 01664

Assessment Roll Number: 3941465

Municipal Address: 18150 102 AVENUE N W

Assessment Year: 2013

Assessment Type: Annual New

Between:

Altus Group

Complainant

and

The City of Edmonton, Assessment and Taxation Branch

Respondent

DECISION OF
John Noonan, Presiding Officer
John Braim, Board Member
Pam Gill, Board Member

Procedural Matters

[1] This hearing was one of four held November 14, 2013 dealing with industrial properties. Where applicable, the parties requested the Board to carry forward evidence and argument relating to properties advanced as comparables, and differing views about the valuation of single-building versus multiple-building properties.

Background

[2] The subject property is a 357,972 square feet (sf.) lot located at 18150 102 Avenue in the Morin Industrial neighbourhood. The property is improved with a 7800 sf. office building and four industrial flex buildings with areas of 24,819 sf., 24,000 sf., 40,759 sf., all of the above built in 1989, and the last flex building of 18,656 sf. built in 1999. Three of the buildings receive rear building adjustments, being removed from 102 Avenue. Total main floor area is 101,866 sf., of which 68,241 sf. is office space. Site coverage is 28.5%. Three of the buildings have varying amounts of upper mezzanine office space, 14,168 sf. in total. The 2013 assessment of \$14,387,000 was prepared by the direct sales comparison approach, yielding per sf. values of \$141 considering only main floor space, or \$124 considering total building areas. The complaint requested a reduction in assessment to \$11,555,500 or some \$100 per sf. of building area.

Issue(s)

[3] The sole issue before the Board was assessment equity:

Is the subject assessed equitably in light of comparable properties' assessments?

Legislation

[4] 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

[5] The Complainant presented 11 equity comparables, subsequently winnowed to ten comparables in rebuttal disclosure along with corrections where required for office areas and building ages. Four of the comparables were located on major roads, superior to the subject's location, and it was noted that five had considerably less office finish than the subject. Only one of the comparables showed a higher per sf. assessment than the subject, the rest showing values much closer to \$100 per sf. The average of the ten comparables was \$100.13 per sf. and a median \$99.40. Consequently, the Complainant asked the Board to find \$100 per sf. an equitable value, and so reduce the assessment to \$11,555,500.

[6] The Complainant carried forward argument on the side-issue of assessment of multi-building properties. Rather than value each building on its own, and then aggregate all the values as was done in the assessment, an investor would value this property on its total size.

Position of the Respondent

[7] The Respondent carried forward argument on the assessment of multi-building properties. In short, a multi-building property has a higher construction cost, income from smaller bays is typically higher than from larger spaces, subdivision opportunity, improved site configuration, etc.

[8] The Respondent presented three groups of comparables, chosen for similarity of size, age and site coverage in comparison to the different sizes of buildings at the subject. Three smaller buildings were compared to the 7800 sf. building at the subject, showing assessments in a range of \$157 to \$191 per sf. In questions, it was asked what was the specific value applied to the small building, or the other buildings? The Respondent advised that this information could not be extracted from the assessment model, only the final aggregate result was available. Similarly, four comparables in the 20,000 sf range were advanced as comparables for three of the subject buildings, and a further group of four comparables for the 40,758 sf. building at the subject.

[9] A chart of the Complainant's equity comparables was presented, showing further information and highlights where required of characteristics inferior or superior to the subject. It was noted that seven of the comparables were single building properties. The remaining three were multiple buildings, and building sizes, office sizes, etc. were detailed.

Complainant's Rebuttal

[10] As mentioned, the rebuttal document removed one comparable and corrected some other ages and sizes. Additional photos of the subject were provided to show one main entrance to the property, thereby eliminating the possibility of future subdivision due to access issues.

[11] At the bottom of the Complainant's chart of equity comparables, besides commentary about some comparables being located on major roads, and some with less office finish, was the statement, "This analysis treats the subject property as one economic unit."

[12] On seeing this statement, not previously mentioned in the original evidence package, the Respondent was inspired to assemble a further three comparables for presentation in sur-rebuttal. The Complainant objected to the introduction of more comparables. On questioning by the Board, it was unclear to the panel how the statement in question was significant new information in the single versus multiple building argument that is raised annually between Complainant(s) and Respondent. Accordingly, the Board declined the further information as new evidence.

Decision

[13] The Board confirms the assessment of \$14,387,000.

Reasons for the Decision

[14] In dealing with the assessments of multiple-building properties, the Board does not hold to a hard and fast rule. In some cases, the Board sees merit in the Respondent's method of valuing each building separately and comparing it to a similarly sized property on its own title. Depending on the evidence, the Board will frequently side with the Complainant's view that in the market, investors view a property with four 30,000 sf. buildings in much the same way as a single 120,000 sf. building. The Board appreciates the argument that the cost of construction is typically greater for a four-building complex, and a mix of building sizes might afford the opportunity to generate greater income from a tenant willing to pay for the prestige of being the only occupant of a building. On the other hand, where a property is demised into 3,000 sf. bays, would a typical tenant pay a greater rent to be one of only ten occupants as compared to one of forty?

[15] In the current case, both arguments have a degree of merit: the 7800 sf. office building likely should be compared to similar sized properties, but it is difficult to envision how the two 24,000 sf. buildings on the east side of the property would generate greater rental income than a single 48,000 sf. building. From the photos presented, it would appear the four industrial flex buildings are demised into bays. Bays are bays. The Board is sympathetic to the Complainant's view that subdivision of this property would be difficult if not impossible, and valuing each of

the flex buildings in comparison to a similar building on its own title probably inflates the value of the subject beyond what it might command at sale.

[16] However, a subtle but significant distinction comes into play. Although assessments are meant to be reasonable estimates of market value, their method of preparation is the prerogative of the assessor. The Respondent values all multiple-building properties the same way. The Board might well consider market sales evidence and decide that a multiple-building property ought best be compared to a single building, but where an assessment is challenged on the basis of equity, the Board must view the subject in comparison to the assessments of other multiple-building properties.

[17] Here, the Complainant presented three comparable properties that held more than one building: two 3-building developments and one having 2 buildings. The lower and high limits of per sf. values were set by the 3-building properties, \$105.76 and \$136.76. The Board sees the subject assessed at \$124.50 per sf., within the range established by the comparables. Considering the high amount of office finish at the subject, 60%, and differences in age and site coverage usually to the advantage of the subject, the Board could not conclude the subject was inequitably assessed in comparison to the Complainant's comparables.

[18] The Board was disappointed with elements of the Respondent's evidence. For example, the 40,000 sf. building was compared to 4 other properties that showed a range of \$118 to \$138 per sf. and the 7800 sf. building's comparables had a range of \$157 to \$191. The Board was told the assessment model aggregates the individual building values, but that those individual values could not be individually extracted. The Board is speechless.

Heard November 14, 2013.

Dated this 10th day of December, 2013, at the City of Edmonton, Alberta.



John Noonan, Presiding Officer

Appearances:

Adam Greenough
for the Complainant

Amy Cheuk, City of Edmonton Law Branch
Marcia Barker
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.